

**HOME FORWARD  
PORTLAND, OREGON**

Independent Auditor's Reports,  
Basic Financial Statements  
For Years Ended March 31, 2017 and 2016  
and  
Supplementary Information  
For Year Ended March 31, 2017



Certified  
Public  
Accountants

# HOME FORWARD

## TABLE OF CONTENTS

As of March 31, 2017

---

CONTENTS		<b>Page</b>
BOARD OF COMMISSIONERS, MANAGEMENT AND GENERAL COUNSEL		i
INDEPENDENT AUDITOR'S REPORT		1
MANAGEMENT'S DISCUSSION AND ANALYSIS – Required Supplementary Information (Unaudited)		4
BASIC FINANCIAL STATEMENTS:		
Statements of Net Position		15
Statements of Revenues, Expenses and Changes in Net Position		17
Statements of Cash Flows		18
Notes to Financial Statements		20
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited):		
Schedule of Proportionate Share of the Net Pension Liability/(Asset)		65
Schedule of Pension Contributions		65
Schedule of Funding Progress – Other Postemployment Benefits		66
OTHER SUPPLEMENTARY INFORMATION:		
Combining Schedule of Net Position —Affordable Housing		68
Combining Schedule of Revenues, Expenses and Changes in Net Position —Affordable Housing		71
Combining Schedule of Net Position —Special Needs Housing		74
Combining Schedule of Revenues, Expenses and Changes in Net Position —Special Needs Housing		75
Schedule of Capital Fund Program		76
INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS		77

---

# HOME FORWARD

## BOARD OF COMMISSIONERS, MANAGEMENT AND GENERAL COUNSEL

As of March 31, 2017

---

### **BOARD OF COMMISSIONERS**

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

Ms. Mary Ann Herman  
Vice Chair 135 S.W. Ash Street, 6<sup>th</sup> Floor  
Portland, Oregon 97204

Mr. David Widmark  
Chair Emeritus 135 S.W. Ash Street, 6<sup>th</sup> Floor  
Portland, Oregon 97204

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

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

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

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

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

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

### **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**

Mr. Steve Abel  
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, 2017 and 2016, 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 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, 2017 and 2016, 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.

## ***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/(asset), schedule of pension contributions, and schedule of funding progress - other postemployment benefits (OPEB), 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.

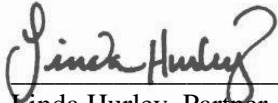
### ***Other Information***

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 11, 2017, 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, 2017. 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.



---

Linda Hurley, Partner

Macias Gini & O'Connell LLP

Walnut Creek, California

September 11, 2017

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2017 and 2016

---

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, 2017 and 2016. 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 the Governmental Accounting Standards Board (GASB) Statement No. 61 the basic financial statements include its blended component units - Home Forward Development Enterprises and St. Francis LLC and its 17 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 and liabilities. 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, 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.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2017 and 2016

---

*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.
- 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, 2017 and 2016

**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	\$ 15,880	\$ 1,959
Non-current liabilities	<u>208,305</u>	<u>188,225</u>	<u>20,080</u>
Total liabilities before deferred inflows of resources	<u>226,144</u>	<u>204,105</u>	<u>22,039</u>
Deferred inflows of resources	<u>1,381</u>	<u>3,781</u>	<u>(2,400)</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>
Total liabilities, deferred inflows of resources and net position	<u>\$ 492,962</u>	<u>\$ 464,408</u>	<u>\$ 28,554</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. Also, 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 Harld 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, 2017 and 2016

**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, 2017 and 2016

**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>	<b>Increase (Decrease)</b>
<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)
Other contributions made	-	-	-
	<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, 2017 and 2016

---

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.

\*\*\*\*\*

**Management's Discussion and Analysis – For the Year Ended March 31, 2016**

**Significant Developments**

***Extension of Moving to Work agreement*** - During fiscal year 2016, Home Forward and the Department of Housing and Urban Development agreed to continue Home Forward's participation in the Moving to Work demonstration project to the year 2028.

***85 Stories*** – In April 2015, the first four properties connected with Home Forward's ***85 Stories*** housing preservation initiative were sold to two tax credit partnerships (of which Home Forward is a general partner.)

***Transfer of Tax Credit Limited Partnership Interest*** – During fiscal year 2016, Home Forward acquired the remaining interest in St. Francis Limited Partnership and became sole owner of 132-unit affordable housing property. Also, Home Forward acquired the remaining interest in Sequoia Square Limited partnership and became sole owner of Sequoia Square Apartments, a 52-unit affordable housing property. These tax credit partnerships were originally formed by Home Forward under Section 42 of the Internal Revenue Code.

***Restatement*** – The financial results for fiscal years 2015 and 2014 have been restated to reflect the changes of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2017 and 2016

---

**Financial Highlights**

Home Forward's Statement of Net Position reflects growth in net position during 2016. Specifically:

- Total assets and deferred outflows of resources increased \$101.4 million from \$363.0 million at March 31, 2015 to \$464.4 million at March 31, 2016 primarily due to a \$46.4 million increase in Notes receivable and accrued interest receivable and a \$55.4 million increase in Notes receivable – partnerships, mainly connected to the substantial rehabilitation and sale of the first four properties of the *85 Stories* initiative to tax credit partnerships. Additionally, there was a \$10.0 million increase in total cash and cash equivalents. These increases were offset by a reduction in capital assets of \$10.3 million.
- Total liabilities and deferred inflows of resources increased \$63.5 million from \$144.4 million at March 31, 2015 to \$207.9 million at March 31, 2016. Of this increase, \$55.4 million is related to an increase in bond payable – partnerships, again connected to the *85 Stories* initiative. Also, fiscal year 2016 ended with a pension liability of \$8.9 million as opposed to a pension asset of \$3.7 million in fiscal year 2015.
- Total operating revenues increased \$8.7 million to \$133.0 million. This is mainly due to a \$5.4 million increase in developer fee revenue, mainly associated with work on *85 Stories*, an increase of \$1.6 million increase in HUD operating subsidies, and a \$1.3 million increase in non-dwelling rental income due to land lease revenue.
- Total operating expenses were \$133.2 million, an increase of \$17.1 million from the prior year. This increase is primarily due to a \$7.6 million increase in housing assistance payments, an \$11.5 million increase in PERS expense, offset by a reduction in depreciation of \$0.6 million, other maintenance expense of \$0.6 million, and utilities of \$0.4 million, and other administrative expenses of \$0.4 million.
- Operating results for 2016 yielded an operating loss of \$0.2 million compared to an operating income of \$8.2 million during the prior year.
- Nonoperating revenues/(expenses) netted a gain of \$34.6 million due to \$34.0 million in gain on sale of capital assets related to the four properties sold as part of the *85 Stories* initiative.
- Net position increased \$37.9 million to \$256.5 million at March 31, 2016. This growth was due to nonoperating revenues of \$34.6 million, capital contributions of \$3.4 million, and an operating loss of \$0.2 million.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2017 and 2016

**Condensed Statement of Net Position**

The following tables show a summary of net position by type at March 31, 2016 and 2015:

(in thousands of dollars)	<b>2016</b>	<b>2015 (as restated)</b>	<b>Increase (Decrease)</b>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 60,052	\$ 50,653	\$ 9,399
Non-current assets	270,559	170,240	100,319
Capital assets	129,129	139,477	(10,348)
Assets available for sale	1,491	-	1,491
Total assets before deferred outflows of resources	<u>461,231</u>	<u>360,370</u>	<u>100,861</u>
Deferred outflows of resources	3,177	2,635	542
Total assets and deferred outflows of resources	<u>\$ 464,408</u>	<u>\$ 363,005</u>	<u>\$ 101,403</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities	\$ 15,880	\$ 14,217	\$ 1,663
Non-current liabilities	188,225	121,250	66,975
Total liabilities before deferred inflows of resources	<u>204,105</u>	<u>135,467</u>	<u>68,638</u>
Deferred inflows of resources	3,781	8,888	(5,107)
Total liabilities and deferred inflows of resources	<u>207,886</u>	<u>144,355</u>	<u>63,531</u>
<b>Net Position</b>			
Net investment in capital assets	44,595	56,282	(11,687)
Restricted	10,914	18,887	(7,973)
Unrestricted	<u>201,013</u>	<u>143,481</u>	<u>57,532</u>
Total net position	<u>256,522</u>	<u>218,650</u>	<u>37,872</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 464,408</u>	<u>\$ 363,005</u>	<u>\$ 101,403</u>

**Year-end Financial Position**

Current assets increased in 2016 from \$50.7 million to \$60.5 million mainly due to a net increase in total cash and cash equivalents of \$10.5 million. Also, due from partnerships increased by \$1.3 million, mainly connected with the four properties of *85 Stories*, and accounts receivable decreased by \$1.6 million, mainly due to collection of HUD receivable of \$1.1 million. Finally, there was a reduction in prepaid expenses of \$0.4 million.

Total cash and cash equivalents increased by \$10.5 million and was significantly impacted by the *85 Stories* transaction – as noted in the \$49.9 million increase in cash flows from capital and related financing activities and \$53.7 million decrease in cash flows from investing activities. Additionally, there was a \$14.2 million inflow of funds from operating activities.

Non-current assets (other than capital assets) increased \$100.3 million, mainly due to the increase in notes and accrued interest receivable and notes receivable – partnerships related to the permanent debt conversion at the four properties of *85 Stories*.

Capital assets decreased \$10.3 million of which \$14.2 million related to the sale of the four properties of *85 Stories* and \$8.7 million related to the impact of annual depreciation. This was offset by an increase in \$10.6 million in capital assets connected with the conversion of St. Francis and Sequoia Square and additional capital improvements across the remaining portfolio.

Current liabilities increased \$1.7 million during the year, mainly due to the \$3.6 million increase in unearned revenue related to prepaid land lease payments connected with the four properties of *85 Stories* and an increase in current portion of notes payable of \$0.6 million. This is offset by a \$2.7 million reduction in accounts payable.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2017 and 2016

Non-current liabilities increased by \$67.0 million during 2016. This increase is primarily due to the \$55.4 million increase bonds payable – partnerships associated with the four properties of *85 Stories* and an increase in pension liability of \$8.9 million related to the implementation of GASB 68.

Net position at March 31, 2016 was \$256.5 million, an increase of \$37.9 million over 2015.

**Capital Assets**

At March 31, 2016, Home Forward had \$129.1 million of capital assets, a decrease of \$10.3 million over the prior year. More detailed information about Home Forward's capital debt is presented in Note 8 to the financial statements.

(in thousands of dollars)	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Land	\$ 22,266	\$ 20,472	\$ 1,794
Construction in progress	2,380	8,276	(5,896)
Total capital assets not being depreciated	<u>24,646</u>	<u>28,748</u>	<u>(4,102)</u>
Buildings and improvements	196,245	201,872	(5,627)
Equipment	13,591	15,092	(1,501)
Accumulated depreciation	(105,352)	(106,235)	883
Total capital assets being depreciated	<u>104,484</u>	<u>110,729</u>	<u>(6,245)</u>
Total capital assets, net	<u>\$ 129,130</u>	<u>\$ 139,477</u>	<u>\$ (10,347)</u>

**Notes and Bonds Payable**

At March 31, 2015, Home Forward had \$88.2 million of notes and bonds payable outstanding (excluding bonds payable–partnerships), an increase of \$2.8 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>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Current portion of notes and bonds payable	\$ 2,786	\$ 2,325	\$ 461
Notes payable - long-term	62,598	59,059	3,539
Bonds payable - long-term	<u>22,790</u>	<u>23,968</u>	<u>(1,178)</u>
Total notes and bonds payable	<u>\$ 88,174</u>	<u>\$ 85,352</u>	<u>\$ 2,822</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, 2017 and 2016

**Results of Operation – Year ended March 31, 2016 compared to Year Ended March 31, 2015**

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

(in thousands of dollars)	<b>2016</b>	<b>2015</b> (as restated)	<b>Increase</b> (Decrease)
<b>Operating revenues</b>			
Rental revenue	\$ 17,207	\$ 16,303	\$ 904
HUD subsidies and grants	98,474	96,682	1,792
Development fee revenue	6,507	1,121	5,386
State, local and other grants	7,178	6,561	617
Other	3,677	3,711	(34)
	<u>133,043</u>	<u>124,378</u>	<u>8,665</u>
<b>Operating expenses</b>			
Housing assistance payments	77,733	70,102	7,631
Administration	14,744	11,539	3,205
Tenant services	5,446	3,961	1,485
Program expenses	11,008	6,326	4,682
Utilities	4,251	4,675	(424)
Maintenance	9,947	8,941	1,006
Depreciation	8,718	9,280	(562)
Other	1,365	1,374	(9)
Impairment charge	37	-	37
	<u>133,249</u>	<u>116,198</u>	<u>17,051</u>
<b>Operating income/(loss)</b>	<u>(206)</u>	<u>8,180</u>	<u>(8,386)</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	1,749	468	1,281
Interest expense	(2,587)	(2,627)	40
Investment in partnership valuation charge	2,274	(790)	3,064
Financing costs	(167)	(381)	214
Loss on sale of capital assets	(654)	(2,935)	2,281
Gain on sale of capital assets	54	-	54
Intergovernmental revenues from component units	33,979	-	33,979
Other contributions made	-	(1,360)	1,360
	<u>34,648</u>	<u>(7,625)</u>	<u>42,273</u>
<b>Income (Loss) before Capital Contributions</b>	<u>34,442</u>	<u>555</u>	<u>33,887</u>
<b>Capital Contributions</b>			
HUD non-operating contributions	1,733	6,137	(4,404)
Other non-operating contributions	1,697	-	1,697
	<u>3,430</u>	<u>6,137</u>	<u>(2,707)</u>
<b>Increase in net position</b>	<u>37,872</u>	<u>6,692</u>	<u>31,180</u>
<b>Net position - Beginning of year</b>	<u>218,650</u>	<u>211,958</u>	<u>6,692</u>
<b>Net position - End of year</b>	<u>\$ 256,522</u>	<u>\$ 218,650</u>	<u>\$ 37,872</u>



**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended March 31, 2017 and 2016

---

Fiscal year 2016 generated an operating loss of \$0.2 million, compared to operating income of \$8.2 million in fiscal year 2015. Total operating revenues were \$8.7 million higher while operating expenses increased by \$17.1 million.

Operating revenues of \$133.0 million increased \$8.7 million from fiscal year 2015. This is mainly due to a \$5.4 million increase in developer fees earned in association with the substantial rehabilitation of the 4 properties of *85 Stories*. HUD operating subsidies increased by \$1.6 million. And there was a \$1.3 million increase in non-dwelling rental income related to an increase in land lease revenue.

Total operating expenses were \$133.2 million, an increase of \$17.1 million from the prior year. This increase is primarily due to a \$7.6 million increase in housing assistance payments, an \$11.5 million increase in PERS expense, offset by a reduction in depreciation of \$0.6 million, other maintenance expense of \$0.6 million, and utilities of \$0.4 million, and other administrative expenses of \$0.4 million.

Nonoperating revenues/(expenses) netted a gain of \$34.7 million due to \$34.0 million in intergovernmental revenues from the sale of capital assets related to the four properties sold as part of the *85 Stories* initiative to Wests Limited Partnership and Woods East Limited Partnership, which are included as discretely presented component units.

During 2016, HUD nonoperating and other nonoperating contributions totaled \$3.4 million with funds mainly supporting the preservation work at the first four *85 Stories* properties.

\*\*\*\*\*

### **Forward Looking information**

By November 2017, Home Forward anticipates converting the first nine properties under the Rental Assistance Demonstration (RAD) program. Upon conversion, the public housing units will convert into project based voucher funded units. Additionally, Home Forward is awaiting a decision from HUD on eight Section 18 applications.

Construction is scheduled to begin on the NE Grand development project in the fall of 2017. This project anticipates providing 240 units of affordable housing, as well as commercial space. Also in the fall of 2017, construction is scheduled to begin on Framework, a cross laminated timber condominium project that includes a bank, commercial/retail space and 60 units of affordable housing. For both projects, Home Forward will participate in a low income housing tax credit partnership for ownership of the affordable housing portions.

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.

\*\*\*\*\*

### **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).

\*\*\*\*\*

# HOME FORWARD

## STATEMENTS OF NET POSITION

As of March 31, 2017 and 2016 (with Discretely Presented Component Units as of December 31, 2016 and 2015)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2017	March 31, 2016	December 31, 2016	December 31, 2015
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 38,955,880	\$ 35,967,650	\$ 10,819,854	\$ 7,782,570
Cash and cash equivalents - restricted	18,134,617	15,252,467	17,136,198	18,179,224
Investments - restricted	-	-	56,329	1,270,675
Accounts receivable, net	4,584,307	4,704,875	576,970	212,064
Due from partnerships, net	4,318,696	2,914,787	-	-
Prepaid expenses	1,092,965	994,558	3,262,736	3,640,143
Current portion of notes receivable - partnerships	681,834	703,527	-	-
	<u>67,768,299</u>	<u>60,537,864</u>	<u>31,852,087</u>	<u>31,084,676</u>
<b>NON-CURRENT ASSETS:</b>				
Investments - restricted	948,621	948,621	-	-
Notes and accrued interest receivable	161,401,996	155,440,484	-	-
Notes receivable - partnerships	82,857,464	88,590,255	-	-
Other Assets	-	-	3,071,146	2,944,049
Investments in partnerships	24,761,217	25,092,161	-	-
Capital assets not being depreciated	33,141,335	24,645,465	10,924,347	74,910,499
Capital assets being depreciated, net	109,162,240	104,484,322	261,590,603	216,244,205
	<u>412,272,873</u>	<u>399,201,308</u>	<u>275,586,096</u>	<u>294,098,753</u>
<b>ASSETS AVAILABLE FOR SALE</b>	<u>-</u>	<u>1,491,480</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS OF RESOURCES</b>	480,041,172	461,230,652	307,438,183	325,183,429
Deferred outflows of resources - derivative instruments	1,010,238	1,578,200	-	-
Deferred outflows of resources - pension	11,910,954	1,598,934	-	-
	<u>12,921,192</u>	<u>3,177,134</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 492,962,364</u>	<u>\$ 464,407,786</u>	<u>\$ 307,438,183</u>	<u>\$ 325,183,429</u>

(continued)

See accompanying notes to the financial statements.

# HOME FORWARD

## STATEMENTS OF NET POSITION

As of March 31, 2017 and 2016 (with Discretely Presented Component Units as of December 31, 2016 and 2015)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2017	March 31, 2016	December 31, 2016	December 31, 2015
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES:</b>				
Line of credit	\$ 229,000	\$ 155,000	\$ -	\$ -
Accounts payable	3,491,379	2,197,572	1,423,679	9,429,386
Accrued interest payable, payable from restricted assets	476,663	515,813	-	553,434
Other accrued liabilities	2,650,498	2,626,519	13,760,024	10,532,037
Unearned revenue	4,657,938	4,695,242	71,763	223,844
Deposits, payable from restricted assets	2,554,597	2,200,973	762,770	1,021,932
Current portion of bonds payable - partnerships	681,834	703,527	-	-
Current portion of notes payable	1,340,990	1,607,539	932,227	1,457,511
Current portion of bonds payable	1,756,692	1,178,101	-	-
	<u>17,839,591</u>	<u>15,880,286</u>	<u>16,950,463</u>	<u>23,218,144</u>
<b>NON-CURRENT LIABILITIES:</b>				
Notes payable - long-term	64,989,416	62,598,264	255,947,043	259,951,121
Bonds payable - long-term	30,919,698	22,790,274	-	-
Bonds payable - partnerships	82,857,463	88,590,255	-	-
Accrued interest - long-term	4,972,755	4,688,498	8,080,309	7,477,009
Net Pension Liability	23,852,957	8,914,316	-	-
Other liabilities	712,272	643,028	2,644,569	3,164,418
	<u>208,304,561</u>	<u>188,224,635</u>	<u>266,671,921</u>	<u>270,592,548</u>
<b>TOTAL LIABILITIES BEFORE DEFERRED INFLOWS OF RESOURCES</b>				
	<u>226,144,152</u>	<u>204,104,921</u>	<u>283,622,384</u>	<u>293,810,692</u>
Deferred inflows of resources - derivative instruments	1,010,238	1,578,200	-	-
Deferred inflows of resources - pension	370,554	2,202,951	-	-
	<u>1,380,792</u>	<u>3,781,151</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
	<u>227,524,944</u>	<u>207,886,072</u>	<u>283,622,384</u>	<u>293,810,692</u>
<b>NET POSITION:</b>				
Net investment in capital assets	46,113,421	44,594,444	19,176,596	34,975,530
Restricted				
Real estate sale proceeds	3,248,876	3,169,539	-	-
Residual receipts	15,772	74,398	-	-
Funds held in trust	9,065,269	7,573,825	15,188,428	16,113,531
Unused PILOT funds	96,445	96,445	-	-
	<u>12,426,362</u>	<u>10,914,207</u>	<u>15,188,428</u>	<u>16,113,531</u>
Unrestricted (deficit)	<u>206,897,637</u>	<u>201,013,063</u>	<u>(10,549,225)</u>	<u>(19,716,324)</u>
<b>TOTAL NET POSITION</b>				
	<u>265,437,420</u>	<u>256,521,714</u>	<u>23,815,799</u>	<u>31,372,737</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
	<u>\$ 492,962,364</u>	<u>\$ 464,407,786</u>	<u>\$ 307,438,183</u>	<u>\$ 325,183,429</u>

See accompanying notes to the financial statements.

# HOME FORWARD

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

Years Ended March 31, 2017 and 2016 (with Discretely Presented Component Units Years Ended December 31, 2016 and 2015)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2017	March 31, 2016	December 31, 2016	December 31, 2015
<b>OPERATING REVENUES:</b>				
Dwelling rental	\$ 17,084,204	\$ 15,218,654	\$ 19,732,427	\$ 17,432,162
Non-dwelling rental	2,208,139	1,988,495	408,722	472,833
HUD operating subsidies	101,633,513	92,145,749	4,323,133	4,102,967
HUD grants	6,787,862	6,328,201	-	-
Development fee revenue	5,035,605	6,507,861	-	-
State, local and other grants	8,336,083	7,177,836	-	-
Other	3,576,627	3,676,604	918,664	1,369,842
	144,662,033	133,043,400	25,382,946	23,377,804
<b>OPERATING EXPENSES:</b>				
Housing assistance payments	88,981,546	77,732,720	35,262	59,495
Administration	13,918,530	14,744,536	4,984,029	5,273,054
Tenant services	4,843,479	5,445,636	1,119,786	1,710,411
Program Expense	10,521,350	11,007,905	1,512,468	1,365,248
Utilities	4,536,245	4,251,565	3,456,450	3,149,964
Maintenance	9,559,107	9,946,599	4,215,390	4,152,882
Depreciation	7,814,319	8,717,933	14,087,881	14,085,380
General and other	1,554,542	1,365,823	1,312,218	1,238,828
Impairment loss	-	36,672	-	-
	141,729,118	133,249,389	30,723,484	31,035,262
<b>OPERATING INCOME/(LOSS)</b>	2,932,915	(205,989)	(5,340,538)	(7,657,458)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	1,938,750	1,748,762	87,451	64,647
Interest expense	(2,836,003)	(2,587,383)	(5,448,562)	(4,500,129)
Investment in partnership valuation charge	(157,610)	2,274,471	-	-
Change in derivative contract valuation	-	-	273,423	(20,307)
Financing costs	(116,557)	(166,703)	(176,011)	-
Loss on disposal of capital assets	(1,027,134)	(653,922)	(73,076)	(265,659)
Gain on sale of capital assets	5,721,647	53,583	-	-
Intergovernmental revenues from component units	-	33,979,032	-	-
Intergovernmental expenses from primary government	-	-	-	(33,979,032)
	3,523,093	34,647,840	(5,336,775)	(38,700,480)
<b>INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	6,456,008	34,441,851	(10,677,313)	(46,357,938)
<b>CAPITAL CONTRIBUTIONS:</b>				
HUD nonoperating contributions	2,193,773	1,733,189	-	-
Other nonoperating contributions	265,925	1,696,644	-	-
Partner contributions	-	-	3,120,375	20,834,398
	2,459,698	3,429,833	3,120,375	20,834,398
<b>INCREASE (DECREASE) IN NET POSITION</b>	8,915,706	37,871,684	(7,556,938)	(25,523,540)
<b>NET POSITION—Beginning of year</b>	256,521,714	218,650,030	31,372,737	56,896,277
<b>NET POSITION—End of year</b>	\$ 265,437,420	\$ 256,521,714	\$ 23,815,799	\$ 31,372,737

See accompanying notes to the financial statements.

**HOME FORWARD**  
**STATEMENTS OF CASH FLOWS**  
Years ended March 31, 2017 and 2016

	<b>HOME FORWARD</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from HUD grants	\$ 110,156,871	\$ 100,211,963
Receipts from state, local and other grants	7,426,379	7,092,334
Receipts from tenants and landlords	18,187,868	20,229,904
Receipts from developer fees	663,312	3,149,739
Receipts from others	4,029,433	3,268,080
Receipt of cash restricted for deposits payable	353,624	199,867
Payments to landlords	(88,978,449)	(77,726,670)
Payments to and on behalf of employees	(27,475,790)	(23,354,205)
Payments to vendors, contractors and others	(13,487,983)	(18,831,063)
	<u>10,875,265</u>	<u>14,239,949</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	7,930,000	15,000,000
Payments on line of credit	(7,856,000)	(15,000,000)
	<u>74,000</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	16,000,000	17,091,026
Payments on line of credit	(16,000,000)	(17,260,559)
Proceeds from issuance of notes payable	86,734	-
Proceeds from issuance of bonds payable	177,182	-
Proceeds from issuance of bonds payable - partnership	4,664,042	56,108,371
Interest paid on notes and bonds payable	(2,777,665)	(2,366,311)
Principal payments on notes payable	(1,293,997)	(4,698,378)
Principal payments on bonds payable	(1,178,132)	(1,299,581)
Principal payments on bonds payable—partnerships	(10,418,527)	(671,465)
Cash received from purchase of limited partnership	2,517,805	811,899
Proceeds from sale of restricted investments	-	10,448
HUD capital and other nonoperating contributions	2,313,467	3,768,292
Acquisition and construction of capital assets	(11,257,648)	(3,804,640)
Proceeds from the sale of capital assets and assets available for sale	7,661,759	2,251,353
	<u>(9,504,980)</u>	<u>49,940,455</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Financing fees paid	(116,560)	(166,703)
Issuance of notes receivable	(7,579,786)	(12,434,278)
Issuance of notes receivable—partnerships	(4,664,042)	(56,108,371)
Collections on notes receivable	5,990,567	16,174,257
Collections on notes receivable—partnerships	10,418,527	671,465
Change in due from partnerships, net	(1,403,909)	(1,316,652)
Change in investments in partnerships, net	(157,452)	(1,776,906)
Investment income received	1,938,750	1,228,349
	<u>4,426,095</u>	<u>(53,728,839)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,870,380</b>	<b>10,451,565</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>51,220,117</b>	<b>40,768,552</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b>\$ 57,090,497</b>	<b>\$ 51,220,117</b>

See accompanying notes to the financial statements.

**HOME FORWARD**  
**STATEMENTS OF CASH FLOWS**  
Years ended March 31, 2017 and 2016

	<b>HOME FORWARD</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>		
<b>TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 2,932,915	\$ (205,989)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:		
Depreciation	7,814,319	8,717,933
Impairment loss	-	36,672
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable—net	101,156	458,880
Developer fee receivable	(4,372,293)	(3,358,122)
Prepaid expenses	(98,406)	352,081
Accounts payable	1,293,807	(2,742,986)
Other accrued liabilities	23,979	178,930
Other liabilities	69,244	66,263
Unearned revenue	(37,304)	3,616,520
Deposits, payable from restricted assets	353,624	199,867
Deferred outflows of resources - pensions	(10,312,020)	(634,886)
Deferred inflows of resources - pensions	(1,832,397)	(5,014,415)
Net pension asset and net pension liability	14,938,641	12,569,201
Net cash flows from operating activities	<u>\$ 10,875,265</u>	<u>\$ 14,239,949</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS</b>		
Retirement of bonds payable through refinancing	<u>\$ (9,715,000)</u>	<u>\$ -</u>
Addition of bonds payable through refinancing	<u>\$ 9,690,000</u>	<u>\$ -</u>
Sale of properties in exchange for notes receivable	<u>\$ -</u>	<u>\$ 38,826,500</u>
Sale of construction in progress projects in exchange for notes receivable	<u>\$ -</u>	<u>\$ 7,417,055</u>
Donated capital assets received	<u>\$ -</u>	<u>\$ 660,000</u>
Equity transfer - limited partnership purchase		
Restricted assets	\$ 1,692,552	\$ 638,894
Other assets	918,986	281,635
Capital assets	11,206,225	10,550,628
Other liabilities	(120,194)	(157,771)
Tenant security deposits	(154,094)	(56,382)
Accrued interest payable from restricted assets	(174,390)	(94,762)
Notes payable	(3,331,866)	(8,820,122)
Bond payable	(9,715,000)	-
Net position	(322,219)	(2,342,120)
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

---

**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.

Home Forward is legally entitled to or can access the resources of HFDE and St. Francis, LLC at the discretion of Home Forward management. Because HFDE, St. Francis, LLC and Home Forward have this financial and operational relationship, Governmental Accounting Standard Board (GASB) Statement No. 61 requires that HFDE’s and St. Francis’ financial statements be blended into the Home Forward financial statements.

**Discretely Presented Component Units** – Home Forward follows the guidance provided by the 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 is the general partner and owns a 0.01% to 1% investment in each of the following discretely presented component unit limited partnerships:

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

---

*General Partner Ownerships presented in both December 31, 2016 and 2015 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 Limited Partnership
- Gladstone Square Limited Partnership
- Haven Limited Partnership
- Humboldt Gardens Limited Partnership
- Jeffery Apartment Limited Partnership
- Lovejoy Station Limited Partnership\*\*
- RAC Housing Limited Partnership
- St. Francis 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 September 30, 2015 and March 31, 2016, Home Forward purchased the limited partnership's interest for the St. Francis Limited Partnership and 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.

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.

***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***—Home Forward owns, operates and maintains 2,091 units of Public Housing, of which 746 units are located at buildings included in the Affordable Housing portfolio. The properties were acquired through bonds and notes guaranteed by HUD and through grants, 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, 2017, Home Forward administered approximately 9,110 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.



**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

---

*Affordable Housing & Special Needs Housing*—Home Forward owns, is developing, or is a partner in 4,576 units of housing, of which 746 are public housing units. The Affordable Housing portfolio consists of 40 multifamily properties representing 4,576 units, of which 2,225 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 maintains its accounting records as a proprietary fund using 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.

*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*—When Net position includes the various net earnings from operating income, nonoperating revenues and expenses, capital contributions and specials items. 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

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

---

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.

*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, 2017 and 2016, 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 2017 and 2016, 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.

***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 Employee 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, 2017 and March 2016, 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

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

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).

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, 2017 as compared to March 31, 2016. Only negotiable investments in certificates of deposit are required to be measured at fair value. Home Forward has no investments of this type as of March 31, 2017 or 2016. 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, 2017:

	Level 2
Repurchase agreements	\$ 948,621
Investments in derivatives	(1,010,238)
	\$ (61,617)

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, 2016:

	Level 2
Repurchase agreements	\$ 948,621
Investments in derivatives	(1,578,200)
	\$ (629,579)

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

---

***Non-current Assets***

*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 – partnership* 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 12 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, structures, and equipment. All capital assets are recorded at cost except for donated capital assets which are recorded at fair 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 15 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, structures, 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 the fair value of swap agreements is recognized as a liability in Home Forward's Statement of Net Position with the offsetting gains in deferred outflows of resources.

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 two 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**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

---

Home Forward recognizes pension income. The deferred amount related to the fair value of swap agreements is recognized as an asset in Home Forward's Statement of Net Position with the offsetting losses in deferred inflows of resources.

**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, 2017 and 2016.

**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.

**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, 2017 and 2016 were \$1,319,634 and \$1,352,272, respectively, and are a component of other accrued liabilities.

**A payment in Lieu of Taxes**—As a municipal corporation, Home Forward is exempt from federal, state and local income and property taxes. Instead, Home Forward is required to make payments to local government entities called 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 annually. Home Forward also makes annual payments to the City of Fairview. Total payments in lieu of taxes for March 31, 2017 and 2016 were \$229,495 and \$226,530 respectively.

**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, 2015, 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 3 for required disclosures.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

---

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.

**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 June 2015, GASB issued 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.
- In June 2015, GASB issued 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.
- In June 2015, GASB issued 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.
- In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in GASB Statement No. 14, *The Financial Reporting Entity*, as amended.
- In March 2016, the GASB issued 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.
- 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.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

---

- 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.

## **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 \$5.0 million in developer fees and was paid \$0.8 million. In 2016, Home Forward earned \$6.5 million in developer fees and was paid \$3.1 million.

At March 31, 2017 and 2016, the balance of the development fees owed to Home Forward is \$13.0 million and \$8.7 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 \$354,887 and \$443,508 in 2017 and 2016, respectively.

On October 3, 2016, HomeForward 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.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

---

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><u>\$ 322,219</u></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).

On March 30, 2016, Home Forward purchased the remaining 99.9% interest in Sequoia Square Limited Partnership. Upon purchase, the partnership was dissolved. This property is now reported as Sequoia Square. A summary of the partnership's statement of net position at the time of purchase was:

Total Assets	\$ 2,523,947
Total Liabilities	<u>1,859,545</u>
Net Position	<u><u>\$ 664,402</u></u>

At the acquisition, Home Forward forgave the outstanding partnership management fees of \$16,257, which were reported as Due from Partnerships (Note 5) in Home Forward's Statement of Net Position prior to the acquisition. Home Forward also forgave the outstanding partnership Note Receivable of \$49,535 (Note 6). Furthermore, Home Forward assumed the notes payables of \$514,486 for Sequoia Square (Note 11).

On September 29, 2015, Home Forward purchased the remaining 99.9% interest in St. Francis Limited Partnership. Upon purchase, the partnership was dissolved and converted to St. Francis LLC, a blended component unit of Home Forward. A summary of the partnership's statement of net position at the time of purchase was:

Total Assets	\$ 8,947,210
Total Liabilities	<u>7,269,492</u>
Net Position	<u><u>\$ 1,677,718</u></u>



**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

---

**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>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 38,955,880	\$ 35,967,650
Cash and cash equivalents - restricted	18,134,617	15,252,467
Total cash and cash equivalents	<u>\$ 57,090,497</u>	<u>\$ 51,220,117</u>

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, 2017 and 2016, 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, 2017, 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 A1 and a weighted average maturity more than 3 years in the amount of \$948,621.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

At March 31, 2016, 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, 2017 and March 31, 2016 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.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
HUD grants	\$ 2,191,440	\$ 2,885,059
State, local and other grants	1,934,936	1,011,559
Tenants and landlords	1,226,434	1,229,970
Other	127,718	577,536
	<u>5,480,528</u>	<u>5,704,124</u>
Less: Allowances for doubtful accounts	(896,221)	(999,249)
Total accounts receivables, net	<u>\$ 4,584,307</u>	<u>\$ 4,704,875</u>

**5. DUE FROM PARTNERSHIPS**

Due from partnerships consists of the following at March 31:

	<u>2017</u>	<u>2016</u>
Stephen's Creek Crossing North (4%)	\$ 656,571	\$ 646,153
Cecelia Limited Partnership	605,750	556,742
Woolsey Limited Partnership	567,609	499,659
West's Limited Partnership	1,090,446	856,504
Gladstone Square Limited Partnership	462,049	433,365
Stephen's Creek Crossing South (9%)	239,410	358,092
Woods East Limited Partnership	450,455	497,776
Square Manor Limited Partnership	1,534,395	-
All other partnerships	674,680	879,096
	<u>6,281,365</u>	<u>4,727,387</u>
Less: Allowances for doubtful accounts	(1,962,669)	(1,812,600)
Total due from partnerships	<u>\$ 4,318,696</u>	<u>\$ 2,914,787</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**6. NOTES RECEIVABLE AND ACCRUED INTEREST**

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

	<u>2017</u>	<u>2016</u>
Partnerships notes	\$ 155,267,888	\$ 151,073,265
Non-partnerships notes	3,145,000	3,145,000
Homeowners notes	<u>1,007,328</u>	<u>228,300</u>
	159,420,216	154,446,565
Accrued interest receivable	9,034,271	7,646,731
Less: Allowances for doubtful accounts	<u>(7,052,491)</u>	<u>(6,652,812)</u>
Total notes and accrued interest receivables	<u>\$ 161,401,996</u>	<u>\$ 155,440,484</u>

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>2017</u>	<u>2016</u>
<u>Investments in Limited Liability Partnerships</u>		
RAC Housing Limited Partnerships	\$ 21,185,615	\$ 21,185,615
Cecelia Limited Partnership	1,272,875	1,272,963
Haven Limited Partnership	515,944	515,981
Trouton Limited Partnership	(2,334)	-
Woolsey Limited Partnership	(1,119)	-
Lovejoy Station Limited Partnership	-	257,259
Gladstone Square Limited Partnership	-	70,117
The Jeffrey Limited Partnership	50,931	50,931
St. Francis Park Limited Partnership	340,992	340,992
Fountain Place Limited Partnership	659,786	659,786
Gateway Park Apartments Limited Partnership	708,517	708,517
Square Manor Limited Partnership	<u>10</u>	<u>-</u>
	24,731,217	25,062,161
<u>Investments in Limited Liability Corporation</u>		
Cedar Sinai	<u>30,000</u>	<u>30,000</u>
Total investments in partnerships	<u>\$ 24,761,217</u>	<u>\$ 25,092,161</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**8. CAPITAL ASSETS**

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

	<b>Balance</b>				<b>Reclassified as</b>	<b>Balance</b>
	<b>April 1, 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Available for Sale</b>	<b>March 31, 2017</b>
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	<u>24,645,465</u>	<u>11,850,435</u>	<u>(312,837)</u>	<u>(3,041,728)</u>	<u>-</u>	<u>33,141,335</u>
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
	<u>209,836,134</u>	<u>10,613,438</u>	<u>(2,113,192)</u>	<u>3,041,728</u>	<u>-</u>	<u>221,378,108</u>
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)
	<u>(105,351,812)</u>	<u>(7,814,319)</u>	<u>950,263</u>	<u>-</u>	<u>-</u>	<u>(112,215,868)</u>
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><b>\$129,129,787</b></u>	<u><b>\$ 14,649,554</b></u>	<u><b>\$ (1,475,766)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$142,303,575</b></u>

	<b>Balance</b>				<b>Reclassified as</b>	<b>Balance</b>
	<b>April 1, 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Available for Sale</b>	<b>March 31, 2016</b>
Land	\$ 20,471,757	\$ 2,077,245	\$ -	\$ -	\$ (283,096)	\$ 22,265,906
Construction in progress	8,275,923	3,730,388	(7,612,044)	(2,008,803)	(5,905)	2,379,559
Total capital assets not being depreciated	<u>28,747,680</u>	<u>5,807,633</u>	<u>(7,612,044)</u>	<u>(2,008,803)</u>	<u>(289,001)</u>	<u>24,645,465</u>
Buildings and improvements	201,872,100	9,149,660	(13,888,875)	1,749,616	(2,637,494)	196,245,007
Equipment	15,092,026	57,975	(1,725,644)	259,187	(92,417)	13,591,127
	<u>216,964,126</u>	<u>9,207,635</u>	<u>(15,614,519)</u>	<u>2,008,803</u>	<u>(2,729,911)</u>	<u>209,836,134</u>
Less accumulated depreciation						
Buildings and improvements	(93,972,732)	(7,852,732)	6,661,016	-	1,435,015	(93,729,433)
Equipment	(12,262,255)	(865,201)	1,412,660	-	92,417	(11,622,379)
	<u>(106,234,987)</u>	<u>(8,717,933)</u>	<u>8,073,676</u>	<u>-</u>	<u>1,527,432</u>	<u>(105,351,812)</u>
Total capital assets being depreciated	110,729,139	489,702	(7,540,843)	2,008,803	(1,202,479)	104,484,322
Total capital assets, net	<u><b>\$139,476,819</b></u>	<u><b>\$ 6,297,335</b></u>	<u><b>\$ (15,152,887)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (1,491,480)</b></u>	<u><b>\$129,129,787</b></u>

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

During the year ended March 31, 2016, Home Forward Development Enterprises sold four affordable housing properties to two separate Low Income Housing Tax Credit Partnerships. Gallagher Plaza and Northwest Tower with net book value of \$2,158,682 were sold to Wests Limited Partnership and Hollywood East and Sellwood Center with net book value of \$4,730,289 were sold to Woods East Limited Partnership. Home Forward Development Enterprises received cash of \$2,041,500 and notes receivables of \$38,826,500 from the sale.

During the year ended March 31, 2016, Home Forward Development Enterprises transferred construction in progress projects to Home Forward with net book value of \$7,417,055. Home Forward sold the assets received in exchange of a notes receivable with the same value.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**9. ASSETS AVAILABLE FOR SALE**

On August 25, 2016 Home Forward exercised the purchase and sale agreement for the sale of Plaza Townhomes to Plaza Townhomes Community Partners, LP for \$6,820,000. At the time of the sale, the asset had a net book value of \$1,480,841. Home Forward recorded a gain of \$5,394,268 from the sale.

**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 2017 and 2016 gross draws, including initial draws and draws after repayments, on the line of credit were \$23,930,000 and \$32,091,026 respectively, which represents both principal and accrued interest. The remaining outstanding line of credit balance for March 31, 2017 and 2016 is \$229,000 and \$155,000, respectively. A summary of activity for Home Forward's line of credit for year ending March 31, 2017 and 2016 is as follows:

<b>Balance</b> <b>April 1, 2016</b>	<b>Draws</b>	<b>Repayments</b>	<b>Balance</b> <b>March 31, 2017</b>
\$ 155,000	\$ 23,930,000	\$ (23,856,000)	\$ 229,000
<b>Balance</b> <b>April 1, 2015</b>	<b>Draws</b>	<b>Repayments</b>	<b>Balance</b> <b>March 31, 2016</b>
\$ 324,533	\$ 32,091,026	\$ (32,260,559)	\$ 155,000

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**11. NOTES PAYABLE**

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

<u>Property</u>	<u>Interest Rate at March 31,</u>		<u>Final Maturity Date*</u>	<u>Payment Terms</u>	<u>2017</u>	<u>2016</u>
	<u>2017</u>	<u>2016</u>				
Schiller Way	4.00%	4.00%	2030	Monthly	\$ 479,555	\$ 507,599
Schiller Way	4.14%	4.14%	2021	Monthly	99,591	123,079
Richmond Place	3.00%	3.00%	2016	Maturity Date	500,000	500,000
Multnomah Manor	6.75%	6.75%	2034	Monthly	1,089,960	1,120,771
Turning Point	3.81%	3.81%	2032	Monthly	355,704	372,232
Willow Tree	4.42%	4.42%	2036	Monthly	595,522	615,108
Cambridge Court	8.50%	8.50%	2017	Monthly	-	31,226
Cambridge Court	1.00%	1.00%	2032	Cash Flow	523,887	526,600
Cambridge Court	0.00%	0.00%	2032	Cash Flow	397,753	397,753
Dawson Park	3.00%	3.00%	2022	Cash Flow	496,620	485,053
Fenwick Apts	3.77%	3.77%	2025	Monthly	1,181,457	1,226,426
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	143,182	149,201
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	319,428	339,952
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	1,055,819	1,145,473
Pearl Court	3.00%	3.00%	2027	Monthly	722,935	788,507
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					\$ 20,531,984	\$ 20,899,550

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

Property	Interest Rate at March 31,		Final Maturity Date*	Payment Terms	2017	2016
	2017	2016			2017	2016
Forward balance from previous page					\$ 20,531,984	\$ 20,899,550
SW 45th (Carriage Hill Apts)	3.00%	3.00%	2032	Monthly	32,187	33,779
Willow Tree	0.00%	0.00%	2035	Cash Flow	173,166	178,312
Fairview Oaks & Woods	3.58%	3.58%	2047	Monthly	11,174,230	11,378,345
Rockwood Station	3.58%	3.58%	2047	Monthly	4,488,547	4,570,537
Rockwood Station (Mpower)	6.00%	6.00%	2025	Monthly	144,919	158,810
Hawthorne Home	6.00%	6.00%	2029	Monthly	47,195	49,681
Madison Home	6.00%	6.00%	2029	Monthly	46,981	49,480
North Interstate	6.00%	6.00%	2033	Monthly	430,791	446,364
Project Open Door	1.75%	1.75%	2027	Monthly	183,750	199,462
Russell Street House	8.97%	8.97%	2018	Monthly	5,940	10,579
Taylor Home	7.00%	7.00%	2029	Monthly	44,526	46,725
Ashcreek Commons	3.94%	3.94%	2034	Monthly	1,842,886	1,915,788
Ainsworth Court	0.00%	0.00%	2052	Cash Flow	1,290,099	1,318,764
Ainsworth Court	4.77%	4.77%	2034	Monthly	2,282,966	2,363,815
Madrona Apartments	5.31%	5.31%	2034	Monthly	1,325,304	1,368,546
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	696,026	737,436
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	72,898	80,477
Rockwood Landing (Mpower)	6.00%	6.00%	2025	Monthly	59,598	65,163
Rockwood Landing	3.86%	3.86%	2029	Maturity Date	388,015	411,961
St. Francis LLC	3.38%	3.38%	2050	Monthly	3,821,793	3,882,005
Sequoia Square	3.00%	3.00%	2031	Monthly	81,120	85,444
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	660,195	683,262
Sequoia Square	3.99%	3.99%	2031	Monthly	424,720	445,936
Sequoia Square	0.00%	0.00%	Sale of Property	Cash Flow	514,486	514,486
Lovejoy Station	3.00%	-	2032	Monthly	3,254,986	-
					66,330,406	64,205,803
Less: Current portion of notes payable					(1,340,990)	(1,607,539)
Total notes payable					\$ 64,989,416	\$ 62,598,264

\* NOTE: Calendar year of final maturity date

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

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.

A summary of activity of Home Forward's notes payable for 2017 and 2016 is as follows:

<b>Balance</b>			<b>Balance</b>
<b>April 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>March 31, 2017</b>
<u>\$ 64,205,803</u>	<u>\$ 3,418,600</u>	<u>\$ (1,293,997)</u>	<u>\$ 66,330,406</u>
<b>Balance</b>			<b>Balance</b>
<b>April 1, 2015</b>	<b>Increase</b>	<b>Decrease</b>	<b>March 31, 2016</b>
<u>\$ 60,084,059</u>	<u>\$ 8,820,122</u>	<u>\$ (4,698,378)</u>	<u>\$ 64,205,803</u>

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

<b>Fiscal year ending</b>	<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>
<b>March 31:</b>		
2018	\$ 1,339,003	\$ 1,505,292
2019	1,881,753	1,460,818
2020	1,428,669	1,425,933
2021	1,519,643	1,384,644
2022	2,049,285	1,327,535
2023-2027	14,136,043	4,981,581
2028-2032	10,092,935	3,124,134
2033-2037	4,770,810	1,671,590
2038-2042	4,109,785	1,030,187
2043-2047	5,218,512	382,575
2048-2052	837,516	7,818
2053-2057	39,094	391
	<u>47,423,048</u>	<u>18,302,498</u>
Notes with no set maturity	18,907,358	-
	<u>\$ 66,330,406</u>	<u>\$ 18,302,498</u>



**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**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**

<b>Bond Issue</b>	<b>Bond Type</b>	<b>Interest Rate</b>		<b>Final Maturity Date*</b>	<b>2017</b>		<b>2016</b>	
		<b>At March 31, 2017</b>	<b>At March 31, 2016</b>					
Capital Fund Program, Series A	Fixed	4.30%	4.30%	2025	\$ 2,590,000	\$	2,820,000	
Dawson Park 2012	Fixed	3.37%	3.37%	2027	1,362,346		1,468,936	
New Market West 2013	Variable	2.18%	1.91%	2038	3,562,897		3,729,439	
Pearl Court	Fixed	4.20%	4.20%	2027	3,735,000		4,025,000	
Gretchen Kafoury	Fixed	3.00%	3.00%	2034	3,805,000		3,880,000	
Hamilton West	Fixed	3.00%	3.00%	2034	3,275,000		3,340,000	
Yards at Union Station	Fixed	4.40%	4.40%	2029	4,460,000		4,705,000	
Lovejoy Station	Fixed	0.01		2034	9,690,000		-	
					32,480,243		23,968,375	
Less current portion of bonds payable					(1,756,692)		(1,178,101)	
					30,723,551		22,790,274	
Plus unamortized premiums					311,063		-	
Less unamortized discounts					(114,917)		-	
<b>Total</b>					<b>\$ 30,919,698</b>		<b>\$ 22,790,274</b>	

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 May 1, 2014, Home Forward issued Multi-Family Refunding Revenue Bonds Series 2014 for Hamilton West Apartments and Gretchen Kafoury Commons in the amount of \$3,470,000 and \$4,030,000 (collectively referred as “Series 2014 Bonds”). The Series 2014 Bonds are issued to refinance the outstanding Bonds Payable – Partnerships for Clay Street Limited Partnership (Note 13) assumed from the acquisition and Bonds Payable for Gretchen Kafoury in the amount of \$3,485,000 and \$4,060,000, respectively, for the purpose of reducing future interest payments. The Series 2014 Bonds have a final maturity date of January 1, 2034 and bear fixed rates ranging from 3.00% to 5.00%.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

A summary activity of Home Forward's bonds payable for 2017 and 2016 is as follows:

<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
<u>Balance</u> <u>April 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>March 31, 2016</u>
\$ 25,267,956	\$ -	\$ (1,299,581)	\$ 23,968,375

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

<b>Fiscal year ending</b> <b>March 31:</b>	<b>Bonds Payable</b>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,756,692	\$ 1,161,466
2019	1,740,435	1,105,683
2020	1,799,306	1,047,500
2021	1,863,308	986,209
2022	1,912,446	921,484
2023-2027*	12,181,869	3,303,695
2028-2032	5,716,188	1,526,704
2033-2037	5,510,000	359,800
Total	<u>\$ 32,480,243</u>	<u>\$ 10,412,541</u>

For the variable rate debt, the March 31, 2017 interest rate of 2.18% 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**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**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:

Partnership	Bond Type	Interest Rate At March 31,		Final Maturity Date*		
		2017	2016		2017	2016
Lovejoy Station Limited Partnership-retired	Fixed	1.00%	5.90%	2033	\$ -	\$ 10,040,000
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	5,315,000	5,455,000
Cecelia Limited Partnership	Variable	0.93%	0.44%	2035	3,260,000	3,355,000
Fountain Place Limited Partnership	Fixed	5.80%	5.80%	2034	2,493,254	2,569,465
Stephens Creek Crossing North LP	Fixed	4.56%	4.56%	2031	3,013,629	3,065,946
Humboldt Gardens Limited Partnership	Fixed	6.17%	6.17%	2040	885,000	900,000
Westis Limited Partnership A	Fixed	4.18%	4.18%	2047	13,400,000	13,400,000
Westis Limited Partnership B	Variable	0.00%	0.00%	2047	13,960,849	12,190,013
Woods East Limited Partnership A	Fixed	4.18%	4.18%	2047	15,867,000	15,867,000
Woods East Limited Partnership B	Variable	0.00%	0.00%	2047	17,494,563	14,651,358
Square Manor-Gladstone Square	Fixed	2.125%	n/a	2020	50,001	-
					83,539,297	89,293,782
Less Current Portion					(681,834)	(703,527)
Total bonds payable and notes receivable - partnerships					\$ 82,857,463	\$ 88,590,255

\* NOTE: Calendar year of final maturity date

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 notes consist of permanent notes with a fixed interest rate of 2.125%.

During the year ended March 31, 2016, Home Forward issued multifamily mortgage revenues construction notes (construction notes) associated with 4 properties: Gallagher Plaza; Northwest Tower and Annex; Hollywood East; and Sellwood Center with Westis Limited Partnership and Woods East Limited Partnership. The construction notes consist of permanent notes with a fixed interest rate of 4.18% and construction notes with variable interest rates equal to the sum of 1.60% plus the current 1-month LIBOR rate, calculated on the basis of days elapsed divided by a 360-day year.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

A summary activity of Home Forward's bonds payable for 2017 and 2016 is as follows:

<b>Balance</b>		<b>Decrease</b>	<b>Balance</b>
<b>April 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>March 31, 2017</b>
<u>\$ 89,293,782</u>	<u>\$ 4,664,042</u>	<u>\$ (10,418,527)</u>	<u>\$ 83,539,297</u>
<b>Balance</b>		<b>Decrease</b>	<b>Balance</b>
<b>April 1, 2015</b>	<b>Increase</b>	<b>Decrease</b>	<b>March 31, 2016</b>
<u>\$ 33,856,876</u>	<u>\$ 56,108,371</u>	<u>\$ (671,465)</u>	<u>\$ 89,293,782</u>

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

<b>Fiscal year ending</b>	<b>Bonds Payable-Tax Credit Partnership</b>	
	<b>Principal</b>	<b>Interest</b>
<b>March 31:</b>		
2018 *	\$ 681,834	\$ 2,129,333
2019	809,200	2,405,270
2020	901,142	2,377,026
2021	897,049	2,345,609
2022	868,815	2,312,960
2023-2027	4,681,328	11,035,421
2028-2032	5,911,690	9,985,897
2033-2037	11,009,450	8,493,861
2038-2042	13,059,657	7,056,033
2043-2047	5,765,325	5,950,788
2048-2052	38,953,806	550,007
Total	<u>\$ 83,539,297</u>	<u>\$ 54,642,207</u>

Final debt service payments for Wests Limited Partnership B Bonds and Woods East Limited Partnership B Bonds are assumed to be made prior to March 31, 2018, upon completion of the construction project.

\*For the variable rate debt, the March 31, 2017 interest rate, as provided above, was used for the future interest calculation.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

---

**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.
- 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 0.93% and 0.44% as of March 31, 2017 and 2016, respectively. The swap instrument associated with the remaining bonds matures July 1, 2021, and is fixed at 4.39% on a notional amount of \$3.26 million at March 31, 2017 for which Home Forward receives the 30 day SIFMA rate. The fair values of the swap were \$368,549 and \$574,012 as of March 31, 2017 and 2016, respectively.

The Trouton bonds mature in 2038. The variable rate on the bonds was 0.93% and 0.44 % as of March 31, 2017 and 2016, respectively. The swap instrument associated with the remaining bonds matures July 1, 2022, and is fixed at 4.188% on a notional amount of \$5.24 million at March 31, 2017 for which Home Forward receives the 30 day SIFMA rate. The fair values of the swap were \$637,024 and \$982,714 as of March 31, 2016 and 2015, respectively.

New Market West bonds mature in 2038. The variable rate on the bonds was 2.18 % and 1.92% as of March 31, 2017 and 2016, 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 of the swap was \$4,665 and \$21,474 as of March 31, 2016 and 2015, respectively.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

---

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, 2017 and March 31, 2016 was a decrease of \$567,962 and an decrease of \$92,375, respectively. The fair value of the swap instruments is reflected as deferred inflows of resources - derivative instruments 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, 2017 and 2016. 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, 2017 and 2016, 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, 2016 and 2015, 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.
- *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 2016 Comprehensive Annual Financial Report:

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

---

*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.*

**PERS Pension (Defined Benefits)**

Home Forward is a participant of the PERS pension program. PERS benefits, as described by the PERS 2016 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.*

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

---

*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*

**OPSRP Pension Programs**

Home Forward is a participant of the OPSRP pension programs, a hybrid defined benefit/defined contribution plan for those employees hired after August 29, 2003. OPSRP benefits, as described by the PERS 2016 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.*



**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

**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.*

**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, 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%

Employer contribution rates in effect July 1, 2013 to June 30, 2015 are:

Actuarial Period Ending	Tier 1/ Tier 2	OPSRP
Pension contribution rate	14.51%	12.32%
Retiree healthcare rate	0.59%	0.49%
Total employer contribution	15.10%	12.81%

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

The amount to be contributed by Home Forward for the years ended March 31, 2017, 2016, and 2015 was approximately, \$2,232,170, \$2,365,741, and \$2,239,218, 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, 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.

At March 31, 2016 Home Forward reported a liability of \$8,914,316 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. 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, 2015, Home Forward's proportion was 0.1553% which decreased from its proportion of 0.1612% measured as of June 30, 2014.

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

For the years ended March 31, 2017 and 2016, Home Forward recognized pension expense of \$4,325,339 and pension income of \$6,919,898, 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, 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>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

Deferred inflows and deferred outflows of resources at March 31, 2016:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,118,228	\$ -
Net differences between projected and actual earnings on plan investments	-	1,868,641
Difference between expected and actual experience	480,704	-
Changes in proportionate share		102,661
Difference between the employer's contributions and the employer's proportionate share of contributions	-	231,649
	\$ 1,598,932	\$ 2,202,951

The amount of \$1,126,929 reported at March 31, 2017 and \$1,118,228 reported at March 31, 2016 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, 2018 and 2017, 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, 2017:

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

Deferred inflows and deferred outflows of resources at March 31, 2016:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (433,889)
2018	(433,889)
2019	(433,889)
2020	(433,890)
2021	13,310
	\$ (1,722,247)

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

***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, 2013 through June 30, 2017, 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.

The total pension liability in the December 31, 2013 and 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	December 31, 2013	December 31, 2014
Measurement Date	June 30, 2015	June 30, 2016
Experience Study Report	2014, published September 2015	2014, published September 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	7.75%	7.50%
Inflation	2.75%	2.50%
Projected salary increases	3.75% overall payroll growth	3.50% overall payroll growth
Investment rate of return	7.75%	7.50%
Mortality	Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, 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 (65% for males, 90% for females) of the RP-2000 statistic combined disabled mortality sex-distinct 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 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.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

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:

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

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

<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 38,514,572	\$ 23,852,957	\$ 11,598,412

Home Forward's proportionate share of net pension liability/(asset) at measurement date June 30, 2015:

<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ 21,514,369	\$ 8,914,316	\$ (1,704,219)

***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, 2017, 2016, 2015, was \$197,955, \$203,476, and \$184,543, respectively. This balance is recorded in other accrued liabilities on the Statement of Net Position.

**16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

***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.

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.

Employer contributions are advance-funded on an actuarially determined basis. 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 the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with 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.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2017 and 2016

**Retiree access to Home Forward health care plans (Implicit Benefit subsidy)**

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 premium 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, 2017 and 2016, there were 12 retirees and/or surviving spouses receiving the post-employment implicit healthcare benefits.

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

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Annual required contribution	\$ 151,824	\$ 150,536
Interest on net OPEB obligation	19,291	17,303
Adjustment to ARC for net OPEB obligation	(32,807)	(29,426)
Annual OPEB cost	138,308	138,413
Contributions made	(69,064)	(72,147)
Increase in net OPEB obligation	69,244	66,266
Net OPEB obligation - beginning of year	643,028	576,762
Net OPEB obligation - end of year	\$ 712,272	\$ 643,028

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%

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve the estimated value of reported amounts and assumptions about the probability of occurrence of events into the future. The status of funding levels and annual required contributions of the employer are subject to ongoing review and updates based on past history and revised assumptions of future events. These include assumptions about earnings rates, healthcare cost trends, project life expectancy of plan members, withdrawals, retirements, etc. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of

short-term volatility, and are subject to revisions as a result of past experience and new estimates about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information on the actuarial value of plan assets compared to actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions for RHIA***

Certain actuarial methods and assumptions for RHIA from the provided actuarial report ended March 31, 2017 and March 31, 2015 and used to calculate the above activity, includes:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market value of assets
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare UAL are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, the amortization period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the odd-year valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the odd-year valuation in which they are first recognized
Investment return	7.50% compounded annually on system assets
Interest crediting	7.50% in 2017 and 2016 compounded annually on members' regular account balances 7.50% in 2017 and 2016 compounded annually on members' variable account balances.
Consumer price inflation	2.50% percent compounded annually
Future general wage inflation	3.50% percent compounded annually
Healthcare cost inflation	Graded from 6.0% in 2017 to 6.3% in 2016

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

Certain actuarial assumptions for the Implicit Benefit subsidy calculation are from the actuarial report ended March 31, 2016 and used to calculate the above activity includes:

Actuarial cost method	Entry Age Normal
Asset valuation method	Investment return assumption equal to expectation of Home Forward's own investment funds
Investment return	7.50% compounded annually on system assets
Interest rate discount	3.00% per year
Medical cost annual trend rate	General inflation rate of 2.5%
Dental cost annual trend rate	General inflation rate of 2.5%



**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**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.

**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. 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>DEVELOPMENT ENTERPRISES</b>			<b>ST. FRANCIS, LLC</b>
	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>				
Current assets	\$ 2,170,169	\$ 3,611,234	\$ 970,197	\$ 953,597
Non-current Assets	42,646,904	39,791,076	-	-
Capital assets	-	-	7,777,760	7,798,156
Total assets	<u>\$ 44,817,073</u>	<u>\$ 43,402,310</u>	<u>\$ 8,747,957</u>	<u>\$ 8,751,753</u>
<b>LIABILITIES</b>				
Current liabilities	139,819	31,380	150,832	143,155
Non-current liabilities	-	-	9,107,011	9,160,830
Total liabilities	<u>139,819</u>	<u>31,380</u>	<u>9,257,843</u>	<u>9,303,985</u>
<b>NET POSITION:</b>				
Unrestricted	44,677,254	43,370,930	(509,886)	(552,232)
Total liabilities and net position	<u>\$ 44,817,073</u>	<u>\$ 43,402,310</u>	<u>\$ 8,747,957</u>	<u>\$ 8,751,753</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

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>DEVELOPMENT ENTERPRISES</b>			
	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES:</b>				
Dwelling rental	\$ -	\$ 25,496	\$ 802,050	\$ 396,853
Non-dwelling rental	-	1,867	146,978	62,307
HUD operating subsidies	-	55,700	-	-
Development fee revenue	842,777	218,620	-	-
Other	534	24,155	59,708	6,757
	<u>843,311</u>	<u>325,838</u>	<u>1,008,736</u>	<u>465,917</u>
<b>OPERATING EXPENSES:</b>				
Administration	521,470	620,492	285,152	130,881
Tenant services	-	2,165	6,000	3,017
Program Expense	-	13,700	-	-
Utilities	-	19,380	135,715	67,734
Maintenance	-	30,775	147,457	67,972
Depreciation	-	-	38,722	245,480
General and other	1,250	2,237	73,899	15,147
	<u>522,720</u>	<u>688,749</u>	<u>686,945</u>	<u>530,231</u>
<b>OPERATING INCOME/(LOSS)</b>	<u>320,591</u>	<u>(362,911)</u>	<u>321,791</u>	<u>(64,314)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	985,733	964,576	669	138
Interest expense	-	-	(138,746)	(84,082)
Investment in partnership valuation charge	-	-	(137,940)	(237,677)
Financing costs	-	-	-	(166,297)
Other nonoperating expenses	-	-	(3,428)	-
Loss on disposal of capital assets	-	(38,719)	-	-
Gain on sale of capital assets	-	53,583	-	-
Intergovernmental revenues from component units	-	33,979,032	-	-
	<u>985,733</u>	<u>34,958,472</u>	<u>(279,445)</u>	<u>(487,918)</u>
<b>INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>1,306,324</u>	<u>34,595,561</u>	<u>42,346</u>	<u>(552,232)</u>
<b>CAPITAL CONTRIBUTIONS:</b>				
Other nonoperating contributions	-	(2,337,679)	-	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>1,306,324</u>	<u>32,257,882</u>	<u>42,346</u>	<u>(552,232)</u>
<b>NET POSITION—Beginning of year</b>	43,370,930	11,113,048	(552,232)	-
<b>NET POSITION—End of year</b>	<u>\$ 44,677,254</u>	<u>\$ 43,370,930</u>	<u>\$ (509,886)</u>	<u>\$ (552,232)</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

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

	<b>HOME FORWARD</b>		<b>ST. FRANCIS LLC</b>	
	<b>DEVELOPMENT ENTERPRISES</b>			
	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from HUD grants	\$ -	\$ 55,700	\$ -	\$ -
Receipts from state, local and other grants	-	-	-	-
Receipts from tenants and landlords	-	37,218	954,037	417,500
Receipts from developer fees	842,777	218,620	-	-
Receipts from others	41,473	24,155	20,963	108,159
Payments made from deposits payable	-	(70,497)	-	-
Payments to and on behalf of employees	-	(33,898)	(285,152)	(106,624)
Payments to vendors, contractors and others	(522,720)	(4,967,128)	(326,684)	(173,725)
	<u>361,530</u>	<u>(4,735,830)</u>	<u>363,164</u>	<u>245,310</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Interest paid on notes and bonds payable	-	-	(130,285)	(53,725)
Principal payments on notes payable	-	-	(60,213)	(24,495)
Receipt of cash restricted for deposits payable	-	-	(3,428)	-
Cash received from acquisition of partnership	-	-	-	1,171,545
Acquisition and construction of capital assets	-	-	(156,266)	-
Proceeds from the sale of capital assets	-	2,041,500	-	-
HUD capital and other nonoperating contributions	-	5,026,234	-	-
	<u>-</u>	<u>7,067,734</u>	<u>(350,192)</u>	<u>1,093,325</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Financing fees paid	-	-	-	(166,297)
Issuance of notes receivable	(951,216)	-	-	-
Increase in accrued interest on notes payable	(985,773)	-	-	-
Development fee earned outstanding	108,439	-	-	-
Change in due from partnerships	1,046,269	(979,415)	-	-
Change in investments in partnerships, net	-	-	-	(237,677)
Investment income received	34	-	669	138
	<u>(782,247)</u>	<u>(979,415)</u>	<u>669</u>	<u>(403,836)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(420,717)	1,352,489	13,641	934,799
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<u>2,590,730</u>	<u>1,238,241</u>	<u>934,799</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<u>\$ 2,170,019</u>	<u>\$ 2,590,730</u>	<u>\$ 948,440</u>	<u>\$ 934,799</u>

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years ended March 31, 2017 and 2016

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

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</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  
Years ended March 31, 2017 and 2016

	<u>Stephens Creek Crossing- South</u>	<u>Stephens Creek Crossing- North</u>	<u>Beech Street</u>	<u>West</u>	<u>Woods East</u>	<u>All other partnerships</u>	<u>Adjustment</u>	<u>Total</u>
<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</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)	<u>(399,652)</u>	<u>(694,501)</u>	<u>(267,995)</u>	<u>87,145</u>	<u>380,182</u>	<u>(187,122)</u>	<u>-</u>	<u>(5,340,538)</u>
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)	<u>(509,030)</u>	<u>(842,839)</u>	<u>(302,753)</u>	<u>(894,826)</u>	<u>(813,806)</u>	<u>(873,415)</u>	<u>-</u>	<u>(10,677,313)</u>
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  
Years ended March 31, 2017 and 2016

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

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, 2015 is as follows:

	Lovejoy Station	St. Francis	Cecelia	Trouton	Woolsey	Civic Redevelopment	Humboldt Gardens	1115 SW 11th Avenue
<b>ASSETS</b>								
Cash and cash equivalents	\$ 757,973	\$ -	\$ 439,103	\$ 547,042	\$ 689,262	\$ 250,433	\$ 257,066	\$ 267,501
Cash and cash equivalents - restricted	734,486	-	1,141,547	1,346,969	1,083,226	1,665,005	1,489,393	882,404
Investments (Restricted)- Short Term	1,214,346	-	-	-	-	-	-	-
Accounts receivables and other assets	16,753	-	12,478	48,344	12,292	2,483	12,180	9,362
Other assets	326,115	-	200,318	568,375	133,932	720,252	239,359	53,663
Capital assets - net	11,502,637	-	13,043,066	29,985,540	13,700,482	14,674,543	24,002,128	13,191,576
<b>TOTAL</b>	<b>\$ 14,552,310</b>	<b>\$ -</b>	<b>\$ 14,836,512</b>	<b>\$ 32,496,270</b>	<b>\$ 15,619,194</b>	<b>\$ 17,312,716</b>	<b>\$ 26,000,126</b>	<b>\$ 14,404,506</b>
<b>LIABILITIES AND NET POSITION</b>								
<b>LIABILITIES:</b>								
Current liabilities	\$ 1,367,888	\$ -	\$ 365,605	\$ 546,454	\$ 252,222	\$ 2,247,069	\$ 143,425	\$ 111,340
Long-term liabilities	13,092,724	-	14,211,092	32,669,804	5,099,492	13,824,487	21,012,160	12,137,450
<b>NET POSITION:</b>								
Net investment in capital assets	164,340	-	(645,429)	(806,133)	9,088,646	4,075,081	4,263,970	1,056,260
<b>Restricted:</b>								
Funds held in trust	552,312	-	991,860	1,199,403	1,031,502	572,951	1,399,999	867,604
Unrestricted (deficit)	(624,954)	-	(86,616)	(1,113,258)	147,332	(3,406,872)	(819,428)	231,852
<b>TOTAL</b>	<b>\$ 14,552,310</b>	<b>\$ -</b>	<b>\$ 14,836,512</b>	<b>\$ 32,496,270</b>	<b>\$ 15,619,194</b>	<b>\$ 17,312,716</b>	<b>\$ 26,000,126</b>	<b>\$ 14,404,506</b>
Operating revenues	\$ 2,102,423	\$ 681,373	\$ 1,902,990	\$ 2,500,039	\$ 1,138,257	\$ 1,343,515	\$ 947,115	\$ 880,754
Operating expenses	(1,149,050)	(881,435)	(1,855,488)	(3,658,855)	(1,832,589)	(1,462,363)	(1,873,471)	(1,205,796)
Operating income (loss)	953,373	(200,062)	47,502	(1,158,816)	(694,332)	(118,848)	(926,356)	(325,042)
Nonoperating revenues	57,508	400	368	406	1,181	921	69	865
Nonoperating expenses	(736,989)	(117,810)	(291,207)	(456,383)	(199,017)	(607,080)	(262,334)	(15,569)
Income (loss) before contributions (distributions)	273,892	(317,472)	(243,337)	(1,614,793)	(892,168)	(725,007)	(1,188,621)	(339,746)
Partner contributions (distributions)	-	(1,677,718)	-	-	-	-	-	-
Change in net position	\$ 273,892	\$ (1,995,190)	\$ (243,337)	\$ (1,614,793)	\$ (892,168)	\$ (725,007)	\$ (1,188,621)	\$ (339,746)

(continued)

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years ended March 31, 2017 and 2016

	<b>RAC Housing</b>	<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>Adjustment</b>	<b>Total</b>
<b>ASSETS</b>									
Cash and cash equivalents	\$ 483,208	\$ 423,302	\$ 679,813	\$ 203,960	\$ 813,135	\$ 1,292,926	\$ 677,846	\$ -	\$ 7,782,570
Cash and cash equivalents - restricted	1,365,823	419,039	642,023	27,965	1,722,664	3,449,023	2,209,657	-	18,179,224
Investments (Restricted)- Short Term	-	-	-	-	-	-	56,329	-	1,270,675
Accounts receivables and other assets	52,288	21,580	33,243	455	24,378	(44,937)	11,165	-	212,064
Other assets	92,554	80,861	250,970	82,416	1,405,506	2,032,508	397,363	-	6,584,192
Capital assets - net	28,786,326	12,278,585	22,559,111	9,097,161	47,684,093	53,668,223	30,960,265	(33,979,032)	291,154,704
<b>TOTAL</b>	<b>\$ 30,780,199</b>	<b>\$ 13,223,367</b>	<b>\$ 24,165,160</b>	<b>\$ 9,411,957</b>	<b>\$ 51,649,776</b>	<b>\$ 60,397,743</b>	<b>\$ 34,312,625</b>	<b>\$ (33,979,032)</b>	<b>\$ 325,183,429</b>
<b>LIABILITIES AND NET POSITION</b>									
<b>LIABILITIES:</b>									
Current liabilities	\$ 193,789	\$ 888,745	\$ 1,418,297	\$ 507,058	\$ 5,921,410	\$ 7,674,425	\$ 1,580,417	\$ -	\$ 23,218,144
Long-term liabilities	8,566,172	5,260,416	18,263,214	5,353,338	42,993,377	51,359,448	26,749,374	-	270,592,548
<b>NET POSITION:</b>									
Net investment in capital assets	20,295,322	7,583,994	5,054,522	3,860,754	6,065,682	3,474,740	5,422,813	(33,979,032)	34,975,530
Restricted:									
Funds held in trust	1,365,723	409,489	620,922	9,366	1,693,739	3,407,278	1,991,383	-	16,113,531
Unrestricted (deficit)	359,193	(919,277)	(1,191,795)	(318,559)	(5,024,432)	(5,518,148)	(1,431,362)	-	(19,716,324)
<b>TOTAL</b>	<b>\$ 30,780,199</b>	<b>\$ 13,223,367</b>	<b>\$ 24,165,160</b>	<b>\$ 9,411,957</b>	<b>\$ 51,649,776</b>	<b>\$ 60,397,743</b>	<b>\$ 34,312,625</b>	<b>\$ (33,979,032)</b>	<b>\$ 325,183,429</b>
Operating revenues	\$ 1,486,048	\$ 561,719	\$ 875,628	\$ 397,081	\$ 1,889,519	\$ 2,531,115	\$ 4,140,228	\$ -	\$ 23,377,804
Operating expenses	(3,557,503)	(1,021,151)	(1,741,398)	(737,837)	(2,533,796)	(2,878,315)	(4,646,215)	-	(31,035,262)
Operating income (loss)	(2,071,455)	(459,432)	(865,770)	(340,756)	(644,277)	(347,200)	(505,987)	-	(7,657,458)
Nonoperating revenues	-	254	100	143	108	135	2,189	-	64,647
Nonoperating expenses	(64,913)	(117,331)	(222,907)	(145,423)	(351,978)	(415,419)	(781,735)	(33,979,032)	(38,765,127)
Income (loss) before contributions (distributions)	(2,136,368)	(576,509)	(1,088,577)	(486,036)	(996,147)	(762,484)	(1,285,533)	(33,979,032)	(46,357,938)
Partner contributions (distributions)	-	6,407,891	5,506,325	3,144,435	3,731,135	2,126,353	1,595,977	-	20,834,398
Change in net position	\$ (2,136,368)	\$ 5,831,382	\$ 4,417,748	\$ 2,658,399	\$ 2,734,988	\$ 1,363,869	\$ 310,444	\$ (33,979,032)	\$ (25,523,540)

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

***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:

	<b>Balance January 1, 2016</b>	<b>Additions and transfers in</b>	<b>Disposal and transfers out</b>	<b>Balance December 31, 2016</b>
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	216,244,205	57,074,925	(11,728,527)	261,590,603
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>
	<b>Balance January 1, 2015</b>	<b>Additions and transfers in</b>	<b>Disposal and transfers out</b>	<b>Balance December 31, 2015</b>
Land	\$ 12,838,649	\$ -	\$ (1,016,855)	\$ 11,821,794
Construction in progress	-	63,291,085	(202,380)	63,088,705
Total capital assets not being depreciated	<u>12,838,649</u>	<u>63,291,085</u>	<u>(1,219,235)</u>	<u>74,910,499</u>
Buildings and improvements	309,998,310	5,649,227	(13,198,433)	302,449,104
Equipment	13,406,395	91,951	(575,883)	12,922,463
	<u>323,404,705</u>	<u>5,741,178</u>	<u>(13,774,316)</u>	<u>315,371,567</u>
Less accumulated depreciation	(91,704,506)	(14,087,320)	6,664,464	(99,127,362)
Total capital assets being depreciated	231,700,199	(8,346,142)	(7,109,852)	216,244,205
Total capital assets, net	<u><b>\$ 244,538,848</b></u>	<u><b>\$ 54,944,943</b></u>	<u><b>\$ (8,329,087)</b></u>	<u><b>\$ 291,154,704</b></u>



**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**Summarized notes payable – Discretely presented component units**

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

	<u><b>December 31, 2016</b></u>	<u><b>December 31, 2015</b></u>
Notes payable - General Partner	\$ 173,797,371	\$ 183,222,445
Mortgages and other housing related notes	83,081,899	78,186,187
	<u>256,879,270</u>	<u>261,408,632</u>
Less current portion	<u>(932,227)</u>	<u>(1,457,511)</u>
Noncurrent portion	<u><u>\$ 255,947,043</u></u>	<u><u>\$ 259,951,121</u></u>

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

<u><b>Balance</b></u>		<u><b>Balance</b></u>		<u><b>Balance</b></u>
<u><b>January 1, 2016</b></u>	<u><b>Increase</b></u>	<u><b>Decrease</b></u>		<u><b>December 31, 2016</b></u>
<u>\$ 261,408,632</u>	<u>\$ 15,841,577</u>	<u>\$ (20,370,939)</u>		<u>\$ 256,879,270</u>
<u><b>Balance</b></u>		<u><b>Balance</b></u>		<u><b>Balance</b></u>
<u><b>January 1, 2015</b></u>	<u><b>Increase</b></u>	<u><b>Decrease</b></u>		<u><b>December 31, 2015</b></u>
<u>\$ 192,360,290</u>	<u>\$ 91,811,900</u>	<u>\$ (22,763,558)</u>		<u>\$ 261,408,632</u>

**20. COMMITMENTS AND CONTINGENCIES**

**Leases** - At March 31, 2017, Home Forward has approximately 9,110 dwelling units under lease to Section 8 landlords. The terms of these leases extend up to one year. Additionally, Home Forward has placed public housing units inside tax credit properties and support these units with public housing subsidy transfers to those properties. Housing assistance payments under these leases or public housing subsidy transfers, including FSS program contributions, for the years ended March 31, 2017 and 2016 were approximately \$88,981,546 and \$77,732,720, respectively.

**Construction Commitments** - At March 31, 2017, Home Forward had construction commitments of approximately \$16,938,377.

**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 liability, if recorded, would be approximately \$3,995,302.

**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, 2017, no additional liability existed relating to excess operating deficits for any of the partnerships.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2017 and 2016

**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.

Home Forward is a member of the Housing Authorities Risk Retention Pool (“HARRP”), a risk pool currently operating as a common risk management and insurance program for approximately 90 public housing authorities throughout California, Nevada, Oregon and Washington. HARRP is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of predetermined limits for each insured event. Risks insured for public housing and special needs properties include blanket coverage for buildings for approximately \$186,525,372 and business personal property for approximately \$4,748,622.

HARRP coverage as of March 31, 2017, includes:

<u>Liabilities</u>	<u>Deductible</u>	<u>Coverage</u>
Property liability	\$ 5,000	\$ 2,000,000
Employee dishonesty	1,000	1,000,000
Forgery or Alteration	1,000	1,000,000
Theft of money or securities	1,000	100,000
Business auto liability	250	2,000,000

For Home Forward owned affordable properties (non-public housing), Home Forward uses Affordable Housing Risk Pool (“AHRP”), a subsidiary of HARRP, and Farmers Insurance to provide commercial insurance. AHRP provides general liability coverage for 17 affordable properties for \$2,000,000 per incident/ unlimited aggregate. AHRP also provides blanket coverage for buildings and business personal property for 17 properties for approximately \$137,312,543.

Additionally, AHRP provides blanket coverage for building and business personal property for 1 public housing property for approximately \$5,161,172 and for 1 special needs property for approximately \$2,331,445.

Farmers provides blanket coverage for buildings and business personal property for 1 affordable property for approximately \$4,771,700.

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

There have been no significant modifications in coverage in insurance coverage from the previous year and settlements have not exceeded coverage during the last three years. Home Forward has no liability claims as of March 31, 2017.

**22. SUBSEQUENT EVENTS**

On July 15, 2015, Home Forward submitted applications to HUD Rental Assistance Demonstration (RAD) program to convert 30 public housing properties to voucher based rental properties. Home Forward has received the Commitments to Enter into a Housing Assistance Payment (CHAP) for the properties beginning September 2015. Home Forward is scheduled to close the conversion process of the first six properties in FY2018. Home Forward plans to complete the conversion process for the remaining units in the next four years.

Home Forward has evaluated subsequent events through September 11, 2017, 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.

\*\*\*\*\*

**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

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

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)**

Year Ended March 31,	(a)	(b)	(c)	(b/c)	
	Home Forward's proportion of the net pension liability (asset)	Home Forward's proportionate share of the net pension liability (asset)	Home Forward's covered payroll	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
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)	(b)	(a-b)	(c)	(b/c)
	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Home Forward's covered payroll	Contributions as a percent of covered payroll
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 2016 to be used for the December 31, 2015 actuarial valuation.

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

**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**

## HOME FORWARD

### COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING

As of March 31, 2017

	<u>Grace Peck Terrace</u>	<u>Multnomah Manor</u>	<u>Plaza Townhomes</u>	<u>Rosenbaum Plaza</u>	<u>Unthank Plaza</u>	<u>Helen Swindells</u>	<u>Dawson Park</u>	<u>Pearl Court</u>	<u>Fenwick Avenue</u>	<u>Ainsworth Court</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>										
<b>CURRENT ASSETS:</b>										
Cash and cash equivalents	\$ 3,708,029	\$ 2,805	\$ (6,495)	\$ 1,953,230	\$ 2,104,147	\$ 85,396	\$ 319,235	\$ 344,997	\$ 50,862	\$ 646,682
Cash and cash equivalents - Restricted	17,098	221,667	-	11,159	14,701	525,905	406,937	1,285,870	125,522	480,666
Accounts receivable, net	5,226	1,846	-	2,704	1,210	-	3,052	5,662	1,922	791
Prepaid expenses	5,081	517	-	7,224	4,528	10,531	3,549	5,861	744	1,696
	<u>3,735,434</u>	<u>226,835</u>	<u>(6,495)</u>	<u>1,974,317</u>	<u>2,124,586</u>	<u>621,832</u>	<u>732,773</u>	<u>1,642,390</u>	<u>179,050</u>	<u>1,129,835</u>
<b>NON-CURRENT ASSETS:</b>										
Due from partnerships, net	-	-	-	-	-	-	-	-	-	-
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-	-	-
Capital assets not being depreciated	157,489	325,181	-	50,000	68,201	432,880	138,456	952,468	292,240	1,115,635
Capital assets being depreciated, net	277,342	1,427,011	-	354,759	950,204	1,954,548	850,597	3,032,107	1,916,757	1,739,755
	<u>434,831</u>	<u>1,752,192</u>	<u>-</u>	<u>404,759</u>	<u>1,018,405</u>	<u>2,387,428</u>	<u>989,053</u>	<u>3,984,575</u>	<u>2,208,997</u>	<u>2,855,390</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<u>4,170,265</u>	<u>1,979,027</u>	<u>(6,495)</u>	<u>2,379,076</u>	<u>3,142,991</u>	<u>3,009,260</u>	<u>1,721,826</u>	<u>5,626,965</u>	<u>2,388,047</u>	<u>3,985,225</u>
Deferred outflows of resources, pension	-	-	-	-	-	-	-	-	-	-
Deferred outflows on derivative investments	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 4,170,265</u>	<u>\$ 1,979,027</u>	<u>\$ (6,495)</u>	<u>\$ 2,379,076</u>	<u>\$ 3,142,991</u>	<u>\$ 3,009,260</u>	<u>\$ 1,721,826</u>	<u>\$ 5,626,965</u>	<u>\$ 2,388,047</u>	<u>\$ 3,985,225</u>
<b>LIABILITIES AND NET POSITION</b>										
<b>CURRENT LIABILITIES:</b>										
Accounts payable	\$ 14,173	\$ 128,200	\$ -	\$ 8,623	\$ 15,585	\$ 22,074	\$ 14,545	\$ 50,245	\$ 84,358	\$ 15,429
Accrued interest payable	-	6,131	-	-	-	-	30,172	42,669	4,073	9,377
Other accrued liabilities	2,250	-	-	1,417	1,500	1,588	-	-	-	-
Deferred revenue	4,865	2,437	-	2,784	2,410	5,654	2,958	17,927	723	2,073
Deposits, payable from restricted assets	16,686	19,312	-	11,126	14,383	47,330	40,009	117,650	12,916	55,365
bonds payable	-	32,956	-	-	-	8,047	110,150	372,566	52,934	84,846
	<u>37,974</u>	<u>189,036</u>	<u>-</u>	<u>23,950</u>	<u>33,878</u>	<u>84,693</u>	<u>197,834</u>	<u>601,057</u>	<u>155,004</u>	<u>167,090</u>
<b>NON-CURRENT LIABILITIES:</b>										
Notes payable	-	1,057,004	-	-	-	2,149,172	496,620	655,369	2,451,917	3,488,219
Bonds payable	-	-	-	-	-	-	1,252,196	3,430,000	-	-
Accrued interest - long-term	-	-	-	-	-	1,385,141	-	330,488	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>1,057,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,534,313</u>	<u>1,748,816</u>	<u>4,415,857</u>	<u>2,451,917</u>	<u>3,488,219</u>
<b>TOTAL LIABILITIES BEFORE DEFERRED INFLOWS</b>	<u>37,974</u>	<u>1,246,040</u>	<u>-</u>	<u>23,950</u>	<u>33,878</u>	<u>3,619,006</u>	<u>1,946,650</u>	<u>5,016,914</u>	<u>2,606,921</u>	<u>3,655,309</u>
Deferred inflows of resources, pension	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>37,974</u>	<u>1,246,040</u>	<u>-</u>	<u>23,950</u>	<u>33,878</u>	<u>3,619,006</u>	<u>1,946,650</u>	<u>5,016,914</u>	<u>2,606,921</u>	<u>3,655,309</u>
<b>NET POSITION</b>	<u>4,132,291</u>	<u>732,987</u>	<u>(6,495)</u>	<u>2,355,126</u>	<u>3,109,113</u>	<u>(609,746)</u>	<u>(224,824)</u>	<u>610,051</u>	<u>(218,874)</u>	<u>329,916</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 4,170,265</u>	<u>\$ 1,979,027</u>	<u>\$ (6,495)</u>	<u>\$ 2,379,076</u>	<u>\$ 3,142,991</u>	<u>\$ 3,009,260</u>	<u>\$ 1,721,826</u>	<u>\$ 5,626,965</u>	<u>\$ 2,388,047</u>	<u>\$ 3,985,225</u>

## HOME FORWARD

### COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING

As of March 31, 2017

	<u>Fairviews</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>Yards at Union Station</u>	<u>Rockwood Landing</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>										
<b>CURRENT ASSETS:</b>										
Cash and cash equivalents	\$ 1,113,559	\$ 258,920	\$ 34,441	\$ 71,973	\$ 29,261	\$ 90,376	\$ 61,173	\$ 4,161	\$ 381,183	\$ 71,685
Cash and cash equivalents - Restricted	1,479,746	770,588	169,256	92,986	53,154	234,206	98,693	-	1,103,802	74,226
Accounts receivable, net	25,745	11,109	52	260	2,937	3,537	69	-	5,258	1,286
Prepaid expenses	-	-	-	-	292	3,635	375	63	14,680	2,448
	<u>2,619,050</u>	<u>1,040,617</u>	<u>203,749</u>	<u>165,219</u>	<u>85,644</u>	<u>331,754</u>	<u>160,310</u>	<u>4,224</u>	<u>1,504,923</u>	<u>149,645</u>
<b>NON-CURRENT ASSETS:</b>										
Due from partnerships, net	-	-	-	-	-	-	-	-	-	-
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-	-	-
Capital assets not being depreciated	5,304,911	702,000	162,767	363,581	48,706	285,850	188,664	-	672,810	225,000
Capital assets being depreciated, net	7,304,413	5,360,718	1,456,232	1,407,674	1,311,001	2,018,893	696,123	6,161	3,421,656	1,398,219
	<u>12,609,324</u>	<u>6,062,718</u>	<u>1,618,999</u>	<u>1,771,255</u>	<u>1,359,707</u>	<u>2,304,743</u>	<u>884,787</u>	<u>6,161</u>	<u>4,094,466</u>	<u>1,623,219</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<u>15,228,374</u>	<u>7,103,335</u>	<u>1,822,748</u>	<u>1,936,474</u>	<u>1,445,351</u>	<u>2,636,497</u>	<u>1,045,097</u>	<u>10,385</u>	<u>5,599,389</u>	<u>1,772,864</u>
Deferred outflows of resources, pension	-	-	-	-	-	-	-	-	-	-
Deferred outflows on derivative investments	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 15,228,374</u>	<u>\$ 7,103,335</u>	<u>\$ 1,822,748</u>	<u>\$ 1,936,474</u>	<u>\$ 1,445,351</u>	<u>\$ 2,636,497</u>	<u>\$ 1,045,097</u>	<u>\$ 10,385</u>	<u>\$ 5,599,389</u>	<u>\$ 1,772,864</u>
<b>LIABILITIES AND NET POSITION</b>										
<b>CURRENT LIABILITIES:</b>										
Accounts payable	\$ 103,345	\$ 36,631	\$ 2,522	\$ 234,418	\$ 391,780	\$ 13,167	\$ 3,776	\$ 1,261	\$ 26,968	\$ 4,620
Accrued interest payable	33,336	14,116	2,194	6,257	1,942	-	1,435	-	90,080	1,546
Other accrued liabilities	34,705	-	-	-	-	560	-	-	-	3,481
Deferred revenue	47,139	31,588	1,658	62	118	9,357	28	-	14,696	6,499
Deposits, payable from restricted assets	224,602	109,273	4,700	11,054	7,304	44,009	5,950	-	113,751	14,692
bonds payable	211,543	99,721	20,469	76,735	53,665	-	21,657	-	345,554	30,796
	<u>654,670</u>	<u>291,329</u>	<u>31,543</u>	<u>328,526</u>	<u>454,809</u>	<u>67,093</u>	<u>32,846</u>	<u>1,261</u>	<u>591,049</u>	<u>61,634</u>
<b>NON-CURRENT LIABILITIES:</b>										
Notes payable	10,962,689	4,533,746	748,219	1,766,151	1,030,832	1,960,936	648,227	-	965,264	566,817
Bonds payable	-	-	-	-	-	-	-	-	4,205,000	-
Accrued interest - long-term	-	-	-	-	-	1,607,252	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
	<u>10,962,689</u>	<u>4,533,746</u>	<u>748,219</u>	<u>1,766,151</u>	<u>1,030,832</u>	<u>3,568,188</u>	<u>648,227</u>	<u>-</u>	<u>5,170,264</u>	<u>566,817</u>
<b>TOTAL LIABILITIES BEFORE DEFERRED INFLOWS</b>	<u>11,617,359</u>	<u>4,825,075</u>	<u>779,762</u>	<u>2,094,677</u>	<u>1,485,641</u>	<u>3,635,281</u>	<u>681,073</u>	<u>1,261</u>	<u>5,761,313</u>	<u>628,451</u>
Deferred inflows of resources, pension	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>11,617,359</u>	<u>4,825,075</u>	<u>779,762</u>	<u>2,094,677</u>	<u>1,485,641</u>	<u>3,635,281</u>	<u>681,073</u>	<u>1,261</u>	<u>5,761,313</u>	<u>628,451</u>
<b>NET POSITION</b>	<u>3,611,015</u>	<u>2,278,260</u>	<u>1,042,986</u>	<u>(158,203)</u>	<u>(40,290)</u>	<u>(998,784)</u>	<u>364,024</u>	<u>9,124</u>	<u>(161,924)</u>	<u>1,144,413</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 15,228,374</u>	<u>\$ 7,103,335</u>	<u>\$ 1,822,748</u>	<u>\$ 1,936,474</u>	<u>\$ 1,445,351</u>	<u>\$ 2,636,497</u>	<u>\$ 1,045,097</u>	<u>\$ 10,385</u>	<u>\$ 5,599,389</u>	<u>\$ 1,772,864</u>



## HOME FORWARD

### COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING

As of March 31, 2017

	Gretchen Kafoury	Hamilton West	Sequoia Square	St. Francis LLC	Interstate Crossing	Lovejoy Station	Baldwin Interstate	Affordable Housing Management	Totals
<b>ASSETS AND DEFERRED OUTFLOWS</b>									
<b>CURRENT ASSETS:</b>									
Cash and cash equivalents	\$ 622,044	\$ 551,703	\$ 50,672	\$ 644,126	\$ 103,223	\$ 1,061,239	\$ 11,147	\$ 1,716,766	\$ 16,086,540
Cash and cash equivalents - Restricted	731,742	958,635	173,571	304,314	53,135	1,511,450	5,330	244,190	11,148,549
Accounts receivable, net	1,037	3,833	6,852	1,149	825	17,893	27	120,245	224,527
Prepaid expenses	1,934	10,315	2,010	20,608	-	13,304	1,660	10,112	121,167
	<u>1,356,757</u>	<u>1,524,486</u>	<u>233,105</u>	<u>970,197</u>	<u>157,183</u>	<u>2,603,886</u>	<u>18,164</u>	<u>2,091,313</u>	<u>27,580,783</u>
<b>NON-CURRENT ASSETS:</b>									
Due from partnerships, net	-	-	-	-	-	-	-	239,938	239,938
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	165,430	165,430
Capital assets not being depreciated	533,869	406,124	400,390	1,016,855	102,565	1,998,792	931,700	-	16,877,134
Capital assets being depreciated, net	3,191,480	4,195,193	2,082,436	6,760,905	999,591	9,093,531	982,953	-	64,190,259
	<u>3,725,349</u>	<u>4,601,317</u>	<u>2,482,826</u>	<u>7,777,760</u>	<u>1,102,156</u>	<u>11,092,323</u>	<u>1,914,653</u>	<u>405,368</u>	<u>81,472,761</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<u>5,082,106</u>	<u>6,125,803</u>	<u>2,715,931</u>	<u>8,747,957</u>	<u>1,259,339</u>	<u>13,696,209</u>	<u>1,932,817</u>	<u>2,496,681</u>	<u>109,053,544</u>
Deferred outflows of resources, pension	-	-	-	-	-	-	-	1,047,709	1,047,709
Deferred outflows on derivative investments	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 5,082,106</u>	<u>\$ 6,125,803</u>	<u>\$ 2,715,931</u>	<u>\$ 8,747,957</u>	<u>\$ 1,259,339</u>	<u>\$ 13,696,209</u>	<u>\$ 1,932,817</u>	<u>\$ 3,544,390</u>	<u>\$ 110,101,253</u>
<b>LIABILITIES AND NET POSITION</b>									
<b>CURRENT LIABILITIES:</b>									
Accounts payable	\$ 39,989	\$ 12,106	\$ 52,232	\$ 23,512	\$ 325,676	\$ 43,916	\$ 2,209	\$ 1,852,612	\$ 3,523,972
Accrued interest payable	38,916	35,039	84,516	-	1,078	74,130	-	-	477,007
Other accrued liabilities	10,685	-	769	-	3,834	-	-	2,133,791	2,194,580
Deferred revenue	6,834	6,444	5,568	26,806	230	26,641	8	283,252	508,759
Deposits, payable from restricted assets	76,575	81,847	16,798	38,234	1,375	152,838	5,330	-	1,243,109
bonds payable	80,000	112,763	51,534	62,280	18,149	718,478	-	-	2,564,843
	<u>252,999</u>	<u>248,199</u>	<u>211,417</u>	<u>150,832</u>	<u>350,342</u>	<u>1,016,003</u>	<u>7,547</u>	<u>4,269,655</u>	<u>10,512,270</u>
<b>NON-CURRENT LIABILITIES:</b>									
Notes payable	2,664,000	2,692,905	1,628,986	9,068,194	1,342,546	3,066,508	-	-	53,944,321
Bonds payable	3,725,000	3,205,000	-	-	-	9,356,147	-	-	25,173,343
Accrued interest - long-term	1,174,482	-	-	38,817	-	-	-	-	4,536,180
Other liabilities	-	-	-	-	-	-	-	33,249	33,249
	<u>7,563,482</u>	<u>5,897,905</u>	<u>1,628,986</u>	<u>9,107,011</u>	<u>1,342,546</u>	<u>12,422,655</u>	<u>-</u>	<u>33,249</u>	<u>83,687,093</u>
<b>TOTAL LIABILITIES BEFORE DEFERRED INFLOWS</b>	<u>7,816,481</u>	<u>6,146,104</u>	<u>1,840,403</u>	<u>9,257,843</u>	<u>1,692,888</u>	<u>13,438,658</u>	<u>7,547</u>	<u>4,302,904</u>	<u>94,199,363</u>
Deferred inflows of resources, pension	-	-	-	-	-	-	-	18,008	18,008
<b>TOTAL LIABILITIES</b>	<u>7,816,481</u>	<u>6,146,104</u>	<u>1,840,403</u>	<u>9,257,843</u>	<u>1,692,888</u>	<u>13,438,658</u>	<u>7,547</u>	<u>4,320,912</u>	<u>94,217,371</u>
<b>NET POSITION</b>	<u>(2,734,375)</u>	<u>(20,301)</u>	<u>875,528</u>	<u>(509,886)</u>	<u>(433,549)</u>	<u>257,551</u>	<u>1,925,270</u>	<u>(776,522)</u>	<u>15,883,882</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 5,082,106</u>	<u>\$ 6,125,803</u>	<u>\$ 2,715,931</u>	<u>\$ 8,747,957</u>	<u>\$ 1,259,339</u>	<u>\$ 13,696,209</u>	<u>\$ 1,932,817</u>	<u>\$ 3,544,390</u>	<u>\$ 110,101,253</u>

## HOME FORWARD

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

As of March 31, 2017

	Grace Peck Terrace	Multnomah Manor	Plaza Townhomes	Rosenbaum Plaza	Unthank Plaza	Helen Swindells	Dawson Park	Pearl Court	Fenwick Avenue	Ainsworth Court
<b>OPERATING REVENUES:</b>										
Dwelling rental	\$ 231,581	\$ 227,881	\$ 72,407	\$ 195,303	\$ 177,871	\$ 509,370	\$ 618,882	\$ 1,651,447	\$ 271,032	\$ 762,058
Non-dwelling rental	21,536	398	-	62,260	1,743	186,720	-	20,665	-	-
HUD operating subsidies	886,841	157,556	175,993	561,764	762,268	-	-	-	-	-
HUD grants	-	-	-	-	-	-	-	-	-	-
State, local and other grants	-	-	-	-	-	-	-	-	-	-
Other	8,552	11,225	6,069	5,950	7,828	52,380	11,233	63,795	7,289	13,816
	<u>1,148,510</u>	<u>397,060</u>	<u>254,469</u>	<u>825,277</u>	<u>949,710</u>	<u>748,470</u>	<u>630,115</u>	<u>1,735,907</u>	<u>278,321</u>	<u>775,874</u>
<b>OPERATING EXPENSES:</b>										
Housing assistance payments	798	3,563	2,029	-	1,758	-	-	-	-	-
Administration	221,475	133,734	104,790	265,590	229,778	239,878	112,357	363,737	44,276	103,003
Tenant services	-	-	576	-	-	6,580	-	-	-	-
Utilities	92,033	70,424	29,964	149,309	83,091	112,067	65,034	172,203	39,713	75,674
Maintenance	216,996	105,820	62,159	201,795	199,606	188,346	72,891	320,875	38,638	106,261
Depreciation	91,131	63,891	-	89,071	113,322	114,908	146,518	393,794	73,324	158,296
General	25,556	11,779	7,202,279	23,094	17,357	33,462	8,763	57,652	4,881	9,002
	<u>647,989</u>	<u>389,211</u>	<u>7,401,797</u>	<u>728,859</u>	<u>644,912</u>	<u>695,241</u>	<u>405,563</u>	<u>1,308,261</u>	<u>200,832</u>	<u>452,236</u>
<b>OPERATING INCOME (LOSS)</b>	<u>500,521</u>	<u>7,849</u>	<u>(7,147,328)</u>	<u>96,418</u>	<u>304,798</u>	<u>53,229</u>	<u>224,552</u>	<u>427,646</u>	<u>77,489</u>	<u>323,638</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment income	1,133	77	-	855	654	1,037	2,929	22,831	159	1,605
Interest expense	-	(74,537)	-	-	-	(67,114)	(68,504)	(202,622)	(49,742)	(112,237)
Investment in partnership valuation charge	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on Sale of Assets	(334)	-	5,394,268	(119)	(12,550)	-	-	(7,159)	-	-
Other nonoperating revenues (expense)	-	-	-	-	-	-	-	-	-	-
	<u>799</u>	<u>(74,460)</u>	<u>5,394,268</u>	<u>736</u>	<u>(11,896)</u>	<u>(66,077)</u>	<u>(65,575)</u>	<u>(186,950)</u>	<u>(49,583)</u>	<u>(110,632)</u>
<b>CAPITAL CONTRIBUTIONS:</b>										
Other nonoperating contributions	(161,400)	-	-	(36,288)	(272,880)	-	-	(145,413)	-	(166,659)
<b>INCREASE (DECREASE) IN NET POSITION</b>	339,920	(66,611)	(1,753,060)	60,866	20,022	(12,848)	158,977	95,283	27,906	46,347
<b>NET POSITION- Beginning of year</b>	<u>3,792,371</u>	<u>799,598</u>	<u>1,746,565</u>	<u>2,294,260</u>	<u>3,089,091</u>	<u>(596,898)</u>	<u>(383,801)</u>	<u>514,768</u>	<u>(246,780)</u>	<u>283,569</u>
<b>NET POSITION-End of year</b>	<u>\$ 4,132,291</u>	<u>\$ 732,987</u>	<u>\$ (6,495)</u>	<u>\$ 2,355,126</u>	<u>\$ 3,109,113</u>	<u>\$ (609,746)</u>	<u>\$ (224,824)</u>	<u>\$ 610,051</u>	<u>\$ (218,874)</u>	<u>\$ 329,916</u>

## HOME FORWARD

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

As of March 31, 2017

	Fairviews	Rockwood Station	Willow Tree	Ash Creek	Schiller Way	Peter Paulson	Kelly Place	Trouton Commercial	Yards at Union Station	Rockwood Landing
<b>OPERATING REVENUES:</b>										
Dwelling rental	\$ 3,235,092	\$ 1,803,826	\$ 170,004	\$ 353,291	\$ 201,600	\$ 574,182	\$ 193,917	\$ (1,152)	\$ 1,421,098	\$ 267,074
Non-dwelling rental	28,827	30,791	-	-	48,843	-	-	25,508	2,370	-
HUD operating subsidies	205,416	128,385	-	-	-	-	-	-	-	-
HUD grants	20,574	13,099	-	-	-	-	-	-	-	-
State, local and other grants	-	-	-	-	-	-	-	-	-	-
Other	89,494	60,052	4,673	4,625	1,358	74,159	961	44,512	50,513	14,492
	<u>3,579,403</u>	<u>2,036,153</u>	<u>174,677</u>	<u>357,916</u>	<u>251,801</u>	<u>648,341</u>	<u>194,878</u>	<u>68,868</u>	<u>1,473,981</u>	<u>281,566</u>
<b>OPERATING EXPENSES:</b>										
Housing assistance payments	10,901	2,882	-	-	-	-	-	-	-	-
Administration	328,594	295,439	38,365	40,604	36,679	244,727	33,042	11,372	220,109	58,846
Tenant services	-	-	-	-	-	-	-	-	-	-
Utilities	341,011	137,645	20,334	64,461	54,668	106,035	31,930	42,482	152,027	53,272
Maintenance	576,132	443,930	26,353	66,355	51,324	187,589	29,865	14,808	253,188	79,167
Depreciation	449,772	431,716	131,908	115,503	63,904	113,745	79,240	454	411,989	141,322
General	166,764	70,568	1,210	5,188	6,246	45,262	4,059	(1,845)	34,902	7,914
	<u>1,873,174</u>	<u>1,382,180</u>	<u>218,170</u>	<u>292,111</u>	<u>212,821</u>	<u>697,358</u>	<u>178,136</u>	<u>67,271</u>	<u>1,072,215</u>	<u>340,521</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,706,229</u>	<u>653,973</u>	<u>(43,493)</u>	<u>65,805</u>	<u>38,980</u>	<u>(49,017)</u>	<u>16,742</u>	<u>1,597</u>	<u>401,766</u>	<u>(58,955)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment income	3,789	2,495	185	108	20	363	141	-	22,900	31
Interest expense	(403,408)	(171,125)	(26,722)	(75,031)	(24,272)	(82,035)	(17,729)	-	(225,969)	(19,132)
Investment in partnership valuation charge	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on Sale of Assets	(13,102)	(4,406)	-	-	-	-	(1,994)	-	(12,842)	(4,081)
Other nonoperating revenues (expense)	-	-	-	-	-	-	-	-	-	-
	<u>(412,721)</u>	<u>(173,036)</u>	<u>(26,537)</u>	<u>(74,923)</u>	<u>(24,252)</u>	<u>(81,672)</u>	<u>(19,582)</u>	<u>-</u>	<u>(215,911)</u>	<u>(23,182)</u>
<b>CAPITAL CONTRIBUTIONS:</b>										
Other nonoperating contributions	3,305,440	(400,000)	-	-	11,521	-	-	-	(165,896)	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	4,598,948	80,937	(70,030)	(9,118)	26,249	(130,689)	(2,840)	1,597	19,959	(82,137)
<b>NET POSITION- Beginning of year</b>	<u>(987,933)</u>	<u>2,197,323</u>	<u>1,113,016</u>	<u>(149,085)</u>	<u>(66,539)</u>	<u>(868,095)</u>	<u>366,864</u>	<u>7,527</u>	<u>(181,883)</u>	<u>1,226,550</u>
<b>NET POSITION-End of year</b>	<u>\$ 3,611,015</u>	<u>\$ 2,278,260</u>	<u>\$ 1,042,986</u>	<u>\$ (158,203)</u>	<u>\$ (40,290)</u>	<u>\$ (998,784)</u>	<u>\$ 364,024</u>	<u>\$ 9,124</u>	<u>\$ (161,924)</u>	<u>\$ 1,144,413</u>

## HOME FORWARD

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

As of March 31, 2017

	Gretchen Kafoury	Hamilton West	Sequoia Square	St. Francis LLC	Interstate Crossing	Lovejoy Station	Baldwin Interstate	Affordable Housing Management	Total
<b>OPERATING REVENUES:</b>									
Dwelling rental	\$ 1,096,628	\$ 1,116,345	\$ 502,560	\$ 802,050	\$ 133,606	\$ 891,401	\$ 28,053	\$ -	\$ 17,507,407
Non-dwelling rental	10,787	40,565	-	146,978	-	134,589	-	26,433	789,013
HUD operating subsidies	-	-	-	-	-	-	-	163,677	3,041,900
HUD grants	-	-	-	-	-	-	-	264,113	297,786
State, local and other grants	-	-	-	-	-	-	-	293,694	293,694
Other	143,429	48,151	29,966	59,708	9,915	43,605	190	926,975	1,794,915
	<u>1,250,844</u>	<u>1,205,061</u>	<u>532,526</u>	<u>1,008,736</u>	<u>143,521</u>	<u>1,069,595</u>	<u>28,243</u>	<u>1,674,892</u>	<u>23,724,715</u>
<b>OPERATING EXPENSES:</b>									
Housing assistance payments	-	-	-	-	-	-	-	-	21,931
Administration	294,347	298,803	146,154	285,152	23,214	280,977	9,357	2,644,730	7,109,129
Tenant services	-	-	270	6,000	16	-	-	1,417,847	1,431,289
Utilities	118,874	129,686	97,397	135,715	22,377	101,812	3,286	-	2,502,524
Maintenance	371,371	252,143	136,895	147,457	36,302	132,321	2,029	9,909	4,330,525
Depreciation	304,409	(191,389)	58,582	38,722	62,112	117,635	10,347	-	3,584,226
General	138,589	55,005	31,515	73,899	3,368	32,673	2,954	400,981	8,473,077
	<u>1,227,590</u>	<u>544,248</u>	<u>470,813</u>	<u>686,945</u>	<u>147,389</u>	<u>665,418</u>	<u>27,973</u>	<u>4,473,467</u>	<u>27,452,701</u>
<b>OPERATING INCOME (LOSS)</b>	<u>23,254</u>	<u>660,813</u>	<u>61,713</u>	<u>321,791</u>	<u>(3,868)</u>	<u>404,177</u>	<u>270</u>	<u>(2,798,575)</u>	<u>(3,727,986)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Investment income	1,631	1,701	341	669	17	13,199	-	3,007	81,877
Interest expense	(237,835)	(156,598)	(80,431)	(138,746)	(24,707)	(193,105)	-	-	(2,451,601)
Investment in partnership valuation charge	-	-	259,452	-	-	(51,849)	-	-	207,603
Gain (Loss) on Sale of Assets	-	(364,254)	-	(137,940)	-	(6,570)	-	(48,414)	4,780,503
Other nonoperating revenues (expense)	-	-	-	(3,428)	-	-	-	-	(3,428)
	<u>(236,204)</u>	<u>(519,151)</u>	<u>179,362</u>	<u>(279,445)</u>	<u>(24,690)</u>	<u>(238,325)</u>	<u>-</u>	<u>(45,407)</u>	<u>2,614,954</u>
<b>CAPITAL CONTRIBUTIONS:</b>									
Other nonoperating contributions	-	450,000	(15,504)	-	-	91,699	1,925,000	1,412,519	5,832,139
<b>INCREASE (DECREASE) IN NET POSITION</b>	(212,950)	591,662	225,571	42,346	(28,558)	257,551	1,925,270	(1,431,463)	4,719,107
<b>NET POSITION- Beginning of year</b>	<u>(2,521,425)</u>	<u>(611,963)</u>	<u>649,957</u>	<u>(552,232)</u>	<u>(404,991)</u>	<u>-</u>	<u>-</u>	<u>654,941</u>	<u>11,164,775</u>
<b>NET POSITION-End of year</b>	<u>\$ (2,734,375)</u>	<u>\$ (20,301)</u>	<u>\$ 875,528</u>	<u>\$ (509,886)</u>	<u>\$ (433,549)</u>	<u>\$ 257,551</u>	<u>\$ 1,925,270</u>	<u>\$ (776,522)</u>	<u>\$ 15,883,882</u>

## HOME FORWARD

### COMBINING SCHEDULE OF NET POSITION - SPECIAL NEEDS HOUSING

As of March 31, 2017

	<u>Carriage Hill</u>	<u>Project Open Door</u>	<u>Other Special Needs</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 7,905	\$ 74,235	\$ 1,640,809	\$ 1,722,949
Tenant security deposit-Restricted Cash	500	2,251	11,548	14,299
Cash and cash equivalents-restricted	15,743	69,073	1,719,786	1,804,602
Accounts receivable, net	-	2,278	14,144	16,422
Prepaid expenses	-	-	5,507	5,507
	<u>24,148</u>	<u>147,837</u>	<u>3,391,794</u>	<u>3,563,779</u>
<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	272,801	395,386	14,939,651	15,607,838
	<u>348,225</u>	<u>466,490</u>	<u>19,472,191</u>	<u>20,286,906</u>
<b>TOTAL ASSETS</b>	<u>\$ 372,373</u>	<u>\$ 614,327</u>	<u>\$ 22,863,985</u>	<u>\$ 23,850,685</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 704	\$ 1,615	\$ 8,579	\$ 10,898
Accrued interest payable	81	69	45,011	45,161
Other accrued liabilities	8,654	-	3,291	11,945
Unearned revenue	656	5,775	23,298	29,729
Deposits, payable from restricted assets	500	2,750	10,639	13,889
Current portion of notes and bonds payable	1,640	16,407	62,623	80,670
	<u>12,235</u>	<u>26,616</u>	<u>153,441</u>	<u>192,292</u>
<b>NONCURRENT LIABILITIES:</b>				
Accrued Interest long-term	-	-	312,500	312,500
Notes payable - long-term	211,444	167,345	7,588,312	7,967,101
	<u>211,444</u>	<u>167,345</u>	<u>7,900,812</u>	<u>8,279,601</u>
Total liabilities	223,679	193,961	8,054,253	8,471,893
Net Position	<u>148,693</u>	<u>420,366</u>	<u>14,809,732</u>	<u>15,378,791</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 372,372</u>	<u>\$ 614,327</u>	<u>\$ 22,863,985</u>	<u>\$ 23,850,684</u>

## HOME FORWARD

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

As of March 31, 2017

	<u>Carriage Hill</u>	<u>Project Open Door</u>	<u>Other Special Needs</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>				
Dwelling rental	\$ 24,816	\$ 66,381	\$ 25,014	\$ 116,211
Non-dwelling rental	-	-	669,607	669,607
State, local and other grants	-	-	10,154	10,154
Other	-	-	31,670	31,670
	<u>24,816</u>	<u>66,381</u>	<u>736,445</u>	<u>827,642</u>
<b>OPERATING EXPENSES:</b>				
Administration	985	1,221	83,629	85,835
Utilities	7,815	11,946	44,289	64,050
Maintenance	6,679	11,873	147,350	165,902
Depreciation	12,389	26,366	721,478	760,233
General	681	621	49,218	50,520
	<u>28,549</u>	<u>52,027</u>	<u>1,045,964</u>	<u>1,126,540</u>
<b>OPERATING LOSS</b>	<u>(3,733)</u>	<u>14,354</u>	<u>(309,519)</u>	<u>(298,898)</u>
<b>NON-OPERATING REVENUE (EXPENSE):</b>				
Investment income	8	42	32,006	32,056
Interest expense	(988)	(2,940)	(52,528)	(56,456)
Gain on sale of assets	-	-	272,020	272,020
	<u>(980)</u>	<u>(2,898)</u>	<u>251,498</u>	<u>247,620</u>
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(4,713)</u>	<u>11,456</u>	<u>(58,021)</u>	<u>(51,278)</u>
<b>CAPITAL CONTRIBUTIONS</b>				
Other non-operating contributions	-	-	19,882	19,882
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<u>-</u>	<u>-</u>	<u>19,882</u>	<u>19,882</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(4,713)</u>	<u>11,456</u>	<u>(38,139)</u>	<u>(31,396)</u>
<b>NET POSITION-Beginning of year</b>	<u>153,405</u>	<u>408,908</u>	<u>14,847,872</u>	<u>15,490,145</u>
<b>NET POSITION-End of year</b>	<u>\$ 148,692</u>	<u>\$ 420,364</u>	<u>\$ 14,809,733</u>	<u>\$ 15,458,749</u>

**HOME FORWARD**  
**SCHEDULE OF CAPITAL FUND PROGRAM**  
As of March 31, 2017

---

	<u>Amount Approved</u>	<u>Amount Expended</u>
OR16P002501-12 (Formula Capital Fund)	\$ 3,437,796	\$ 3,437,796
OR16R002502-14 (Replacement Housing Factor Grant)	254,064	254,064



## 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, 2017, 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 11, 2017. 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*, except as described as finding 2017-002 in the accompanying schedule of finding and management response.

### **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. However, we did identify a deficiency in internal control that is described in the accompanying schedule of finding and management response.

### **Home Forward's Response to Finding**

Home Forward's response to the finding identified in our audit is described in the accompanying schedule of finding and management response. Home Forward's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



---

Linda Hurley, Partner  
for Macias Gini & O'Connell LLP  
Walnut Creek, California  
September 11, 2017

**HOME FORWARD**  
Schedule of Finding and Management Response  
For Year Ended March 31, 2017

**Reference Number:** 2017-002  
**Classification of Finding:** Control Deficiency in Internal Control over Financial Reporting  
Incident of Noncompliance

**Criteria**

As defined in the official statements of the Housing Refunding Revenue Bonds, Series 2007 (Yards at Union Station), 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.

**Condition**

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.

**Cause**

Home Forward relied on the trustee for all debt compliance requirement. The Trustee experienced employee turnover during the year and missed the filing date.

**Effect**

Home Forward was not in compliance with the continuing disclosure requirement defined in the debt covenants for the Housing Refunding Revenue Bonds, Series 2007.

**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 will prepare 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.

Five days before continuing disclosures are due; responsible staff will check the MSRB website to verify required disclosures have posted. Trustees responsible for missing disclosures will be notified of the impending due date via email. Two days before continuing disclosures are due; responsible staff will check the MSRB website to verify required disclosures have posted. If required disclosures are still missing at that time, Trustees will be notified via email and a formal request will be given to resolve the issue.

On the due date of the continuing disclosure requirements, responsible staff will confirm via MRSB website that all documents are posted. If required disclosures are still missing at that time, responsible staff will post them on behalf of the Trustee.

The person responsible for implementation of this action plan is Kandy Sage, Controller. Implementation will occur by March 31, 2018.