HOME FORWARD
PORTLAND, OREGON

Independent Auditor's Reports,
Basic Financial Statements and
Supplementary Information

For the Nine Months Ended December 31, 2018

Certified
Public
Accountants

HOME FORWARD

For the Nine Months Ended December 31, 2018

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HOME FORWARD

BOARD OF COMMISSIONERS, MANAGEMENT AND GENERAL COUNSEL

For the Nine Months Ended December 31, 2018

BOARD OF COMMISSIONERS

Ms. Mary Ann Herman Chair	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204
Mr. Damien Hall Vice Chair & Treasurer	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204
Mr. David Widmark Commissioner	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204
Ms. TomiRene Hettman Commissioner	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204
Mr. Matthew Gebhardt Commissioner	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204
Mr. Richard Anderson Commissioner	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204
Ms. Wendy Serrano Commissioner	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204
Ms. Jenny Kim Commissioner	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204
Ms. Vivian Satterfield Commissioner	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204

ADMINISTRATIVE OFFICER

Mr. Michael Buonocore Executive Director and Secretary	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204

GENERAL COUNSEL

Ms. Sarah Stauffer Curtiss	Stoel Rives, LLP 900 S.W. Fifth Avenue, Suite 2600 Portland, Oregon 97204

MGO Certified Public Accountants

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 nine months ended December 31, 2018, 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 reports have 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 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 the nine months ended December 31, 2018, 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, schedule of pension contributions, schedule of changes in net OPEB asset and related ratios, schedule of OPEB's contributions, and schedule of changes in total OPEB liability and related ratios, 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, 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 June 12, 2019, 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 nine months ended December 31, 2018. The purpose of that report is solely 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 the effectiveness of Home Forward's 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

Linda Hurley, Partner
Macias Gini & O'Connell LLP
Newport Beach, California
June 12, 2019

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Please note, Home Forward has changed its fiscal year from a March 31 year-end to a December 31 year-end. As such, this section includes a modified Management's Discussion and Analysis of the Home Forward's financial performance during the period of April 1, 2018 to December 31, 2018. 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, St. Francis LLC and Gateway Park Limited Partnership and its 16 discretely presented component units. These discretely presented component units represent multi-family properties structured as limited partnerships, which have Home Forward as the general partner with minimal ownership interest. The Statements of Net Position includes all of Home Forward's assets 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 period of April 1, 2018 to December 31, 2018

Significant Developments

Section 18 and Rental Assistance Demonstration - In October 2018, Home Forward converted 7 additional public housing properties consisting of 315 units under the Department of Housing and Urban Development's Section 18 and Rental Assistance Demonstration (RAD) programs. Upon conversion, the properties were issued vouchers and ceased to operate as a public housing property.

Development line of credit – In December 2018, Home Forward obtained a $20 million revolving line of credit to be used for real estate related transactions.

Financial Highlights

Home Forward's Statement of Net Position reflects growth in net position during the period of April 1, 2018 to December 31, 2018. Specifically:

- Total assets and deferred outflows of resources increased $43.7 million from $523.7 million at March 31, 2018 to $567,395 million at December 31, 2018 primarily due to the increase in notes and accrued interest and notes receivable - partnerships.

- Total liabilities and deferred inflows of resources increased $12.2 million from $248.4 million at March 31, 2018 to $260.2 million at December 31, 2018 mainly due to an increase in bonds payable – partnerships.

- Total operating revenues for the period April 1, 2018 to December 31, 2018 were $122.0 million. Total operating expenses were $126.3 million, including $6.7 million in depreciation expense. Operating results for this period was an operating loss of $4.3 million. Nonoperating revenues/(expenses) netted an increase of $36.3 million, due to intergovernmental revenues from component units. Capital contributions showed a decrease of $0.5 million. Overall, net position increased $31.5 million.

Condensed Statement of Net Position

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

(in thousands of dollars)	December 31, 2018	March 31, 2018	Increase (Decrease)
Assets and Deferred Outflows of Resources			
Current assets	$ 93,478	$ 90,353	$ 3,125
Non-current assets	328,371	279,677	48,694
Capital assets	138,379	146,857	(8,478)
Total assets before deferred outflows of resources	560,228	516,887	43,341
Deferred outflows of resources	7,167	6,780	387
Total assets and deferred outflows of resources	$ 567,395	$ 523,667	$ 43,728
Liabilities and Deferred Inflows of Resources			
Current liabilities	$ 19,110	$ 21,125	$ (2,015)
Non-current liabilities	237,715	225,388	12,327
Total liabilities before deferred inflows of resources	256,825	246,513	10,312
Deferred inflows of resources	3,374	1,463	1,911
Total liabilities and deferred inflows of resources	260,199	247,976	12,223
Net Position			
Net investment in capital assets	40,296	43,824	(3,528)
Restricted	14,578	18,150	(3,572)
Unrestricted	252,322	213,717	38,605
Total net position	307,196	275,691	31,505
Total liabilities, deferred inflows of resources and net position	$ 567,395	$ 523,667	$ 43,728

Year-end Financial Position

Current assets were relatively stable with only a $3.1 million increase during the nine month period ending December 31, 2018. This increase was mainly due to the increase in total cash of $2.3 million.

Non-current assets (excluding capital assets) increased by $50.1 million. Notes receivable – partnerships increased $15.9 million and notes and accrued interest receivable increased by $32.6 million. These increases related to the public housing properties that converted to tax credits under the Department of Housing and Urban Development's Section 18 ("Section 18) and Rental Assistance Demonstration ("RAD") programs.

Capital assets decreased $8.5 million mainly driven by the public housing properties that converted under the Section 18 and RAD programs during the nine month period.

Current liabilities decreased $2.0 million during the nine month period, mainly due to a $1.1 million paydown of the operating line of credit and $1.2 million decrease in unearned revenue.

Non-current liabilities increased by $11.6 million. This increase is primarily driven by the $15.9 million net increase in bonds payable – partnerships offset by a $3.2 million decrease in bonds payable.

Net position at December 31, 2018, was $307.2 million, an increase of $31.5 million from the balance at March 31, 2018.

Capital Assets

At December 31, 2018, Home Forward had $138.4 million of capital assets, net of accumulated depreciation, a decrease of $8.5 million from March 31, 2018. More detailed information about Home Forward's capital assets is presented in Note 8 to the financial statements.

(in thousands of dollars)	December 31, 2018	March 31, 2018	Increase (Decrease)
Land	$ 30,014	$ 33,035	$ (3,021)
Construction in progress	6,188	4,737	1,451
Total capital assets not being depreciated	36,202	37,772	(1,570)
Buildings and improvements	206,916	216,827	(9,911)
Equipment	13,912	14,084	(172)
Accumulated depreciation	(118,651)	(121,826)	3,175
Total capital assets being depreciated	102,177	109,085	(6,908)
Total capital assets, net	$ 138,379	$ 146,857	$ (8,478)

Notes and Bonds Payable

At December 31, 2018, Home Forward had $100.5 million of notes and bonds payable outstanding (excluding bonds payable–partnerships), a decrease of $4.9 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)	December 31, 2018	March 31, 2018	Increase (Decrease)
Current portion of notes and bonds payable	$ 3,205	$ 3,404	$ (199)
Notes payable - long-term	68,937	70,491	(1,554)
Bonds payable - long-term	28,310	31,494	(3,184)
Total notes and bonds payable	$ 100,452	$ 105,389	$ (4,937)

There were no changes in Home Forward's credit rating during the nine month period.

Results of Operation – April 1, 2018 to December 31, 2018

Statement of Revenues, Expenses and Changes in Net Position

(in thousands of dollars)	April 1 to December 31, 2018
Operating revenues	
Rental revenue	$ 17,394
HUD subsidies and grants	91,807
Development fee revenue	983
State, local and other grants	8,713
Other	3,055
	121,952
Operating expenses	
Housing assistance payments	78,493
Administration	13,780
Tenant services	3,252
Program expenses	8,812
Utilities	3,823
Maintenance	10,314
Depreciation	6,683
Other	1,129
	126,286
Operating income/(loss)	(4,334)
Nonoperating revenues (expenses)	
Investment income	2,119
Interest expense	(2,291)
Investment in partnership valuation charge	(21)
Financing costs	(2)
Loss on sale of capital assets	(287)
Gain on sale of capital assets	7
Intergovernmental revenues from component units	36,822
	36,347
Income (Loss) before Capital Contributions	32,013
Capital Contributions	
HUD non-operating contributions	195
Other non-operating contributions	(703)
	(508)
Increase in net position	31,505
Net position - At April 1, 2018	275,691
Net position - End of year	$ 307,196

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Forward Looking information

Home Forward anticipates continuing to convert its remaining public housing properties under the Section 18 and RAD programs. Under these programs, the public housing units will convert into project based voucher-funded units and will utilize the low-income housing tax credit program with Home Forward as the general partner. The next conversion is schedule to take place in June 2019.

In April 2019, Home Forward purchased the Alexis Apartments, a 40-unit apartment in east Portland. Home Forward utilized its new development line of credit to purchase the building while arranging for permanent financing to be finalized at a later time.

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Contact Information

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

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HOME FORWARD

STATEMENTS OF NET POSITION

As of the Nine Months Ended December 31, 2018

	HOME FORWARD	DISCRETELY PRESENTED COMPONENT UNITS
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 46,241,779	$ 15,492,538
Cash and cash equivalents - restricted	37,222,720	38,070,766
Investments	275,903	-
Accounts receivable, net	4,229,717	316,293
Due from partnerships, net	3,749,941	-
Prepaid expenses	941,016	2,634,989
Current portion of notes receivable - partnerships, net	816,577	-
	93,477,653	56,514,586
NON-CURRENT ASSETS:		
Investments - restricted	957,557	-
Notes and accrued interest receivable	191,394,311	-
Notes receivable - partnerships, net	112,071,926	-
Other assets	2,998	4,641,374
Investments in partnerships	23,789,893	-
Net OPEB asset - RHIA	154,742	-
Capital assets not being depreciated	36,201,555	47,088,755
Capital assets being depreciated, net	102,177,302	246,090,555
	466,750,284	297,820,684
TOTAL ASSETS BEFORE DEFERRED OUTFLOWS OF RESOURCES	560,227,937	354,335,270
Deferred outflows of resources - derivative instruments	571,799	-
Deferred outflows of resources - pension	6,563,269	-
Deferred outflows of resources - OPEB RHIA	31,772	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	567,394,777	354,335,270

See accompanying notes to the financial statements.

HOME FORWARD

STATEMENTS OF NET POSITION

As of the Nine Months Ended December 31, 2018

	HOME FORWARD	DISCRETELY PRESENTED COMPONENT UNITS
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Line of credit	1,493,219	-
Accounts payable	3,301,976	10,255,009
Accrued interest payable, payable from restricted assets	517,028	-
Other accrued liabilities	2,566,058	4,584,500
Unearned revenue	4,150,947	199,541
Deposits, payable from restricted assets	3,058,428	630,483
Current portion of bonds payable - partnerships	816,576	-
Current portion of notes payable	1,596,174	1,138,768
Current portion of bonds payable	1,609,322	-
	19,109,728	16,808,301
NON-CURRENT LIABILITIES:		
Notes payable - long-term	68,937,270	315,203,605
Bonds payable - long-term	28,309,573	-
Bonds payable - partnerships	112,071,926	-
Accrued interest - long-term	5,466,992	9,680,704
Net pension liability	21,456,768	-
Total OPEB liability - HBRP	900,487	-
Derivative instruments	571,799	-
Other liabilities	-	3,529,373
	237,714,815	328,413,682
TOTAL LIABILITES BEFORE DEFERRED INFLOWS OF RESOURCES:	256,824,543	345,221,983
Deferred inflows of resources - pension	2,612,302	-
Deferred inflows of resources - OPEB HBRP	717,785	-
Deferred inflows of resources - OPEB RHIA	44,083	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	260,198,713	345,221,983
NET POSITION:		
Net investment in capital assets	40,295,474	10,812,418
Restricted:		
Real estate sale proceeds	15,659,745	-
Residual receipts	14,174	2,601,422
Funds held in trust	11,680,943	23,260,521
Unused PILOT funds	39,145	-
	27,394,007	25,861,943
Unrestricted (deficit)	239,506,583	(27,561,074)
TOTAL NET POSITON	$ 307,196,064	$ 9,113,287

See accompanying notes to the financial statements.

HOME FORWARD

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Nine Months Ended December 31, 2018

	HOME FORWARD	DISCRETELY PRESENTED COMPONENT UNITS
OPERATING REVENUES:		
Dwelling rental	$ 15,581,155	$ 22,799,191
Non-dwelling rental	1,812,564	238,809
HUD operating subsidies	86,376,577	1,282,426
HUD grants	5,430,479	-
Development fee revenue	983,189	-
State, local and other grants	8,713,232	-
Other	3,055,024	2,055,900
	121,952,220	26,376,326
OPERATING EXPENSES:		
Housing assistance payments	78,493,242	3,022
Administration	13,780,099	4,846,985
Tenant services	3,252,138	919,549
Program expense	8,811,727	1,634,323
Utilities	3,823,457	3,367,919
Maintenance	10,314,245	5,255,974
Depreciation	6,683,459	15,016,505
General and other	1,129,068	1,919,593
	126,287,435	32,963,870
OPERATING INCOME/(LOSS)	(4,335,215)	(6,587,544)
NONOPERATING REVENUES (EXPENSES):		
Investment income	2,119,105	264,031
Interest expense	(2,290,896)	(4,962,700)
Investment in partnership valuation charge	(20,824)	-
Financing costs	(2,000)	-
Loss (gain) on disposal of capital assets	(286,907)	(17,892)
Gain on sale of capital assets	6,835	-
Intergovernmental revenues from component units	36,821,778	-
Intergovernmental expenses to primary government	-	(37,262,431)
Other expense	(702,117)	(1,000)
	35,644,974	(41,979,992)
INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS	31,309,759	(48,567,536)
CAPITAL CONTRIBUTIONS:		
HUD nonoperating contributions	195,127	-
Partner contributions	-	2,673,238
	195,127	2,673,238
INCREASE (DECREASE) IN NET POSITION	31,504,886	(45,894,298)
NET POSITION—Beginning of year at April 1, 2018	275,691,178	-
NET POSITION—Beginning of year at Janury 1, 2018	-	55,007,585
NET POSITION—End of year	$ 307,196,064	$ 9,113,287

See accompanying notes to the financial statements.

HOME FORWARD

STATEMENTS OF CASH FLOWS

For the Nine Months Ended December 31, 2018

		Home Forward
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from HUD grants	$	91,782,371
Receipts from state, local and other grants		8,058,620
Receipts from tenants and landlords		15,024,219
Receipts from developer fees		1,089,921
Receipts from others		3,015,476
Receipt of cash restricted for deposits payable		134,221
Payments to landlords		(78,537,890)
Payments to and on behalf of employees		(19,748,353)
Payments to vendors, contractors and others		(17,352,376)
Total cash provided by operating activities		3,466,209
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from line of credit		93,219
Payments on line of credit		(1,290,000)
Total cash used for noncapital financing activities		(1,196,781)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from line of credit		15,000,000
Payments on line of credit		(15,000,000)
Proceeds from issuance of bonds payable - partnership		46,395,289
Interest paid on notes and bonds payable		(2,073,475)
Principal payments on notes payable		(1,534,970)
Principal payments on bonds payable		(3,401,169)
Principal payments on bonds payable—partnerships		(30,391,202)
HUD capital contributions		195,127
Other nonoperating contributions		(526,156)
Acquisition and construction of capital assets		(6,251,752)
Proceeds from the sale of capital assets		13,257,278
Total cash provided by capital financing activities		15,668,970
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments		(275,903)
Financing fees paid		(5,001)
Issuance of notes receivable		(52,261,316)
Issuance of notes receivable—partnerships		(16,491,991)
Collections on notes receivable		19,302,946
Collections on notes receivable—partnerships		30,391,202
Change in due from partnerships, net		1,350,577
Change in investments in partnerships, net		(24,580)
Investment income received		2,416,873
Total cash used for investing activities		(15,597,193)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,341,206
CASH AND CASH EQUIVALENTS—Beginning of year at April 1, 2018		81,123,293
CASH AND CASH EQUIVALENTS—End of year at December 31, 2018	$	83,464,499

HOME FORWARD

STATEMENTS OF CASH FLOWS

For the Nine Months Ended December 31, 2018

		Home Forward
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating loss	$	(4,335,215)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation		6,683,459
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable—net		(282,906)
Developer fee receivable		106,733
Prepaid expenses		(299,040)
Accounts payable		821,053
Other accrued liabilities		(366,086)
Unearned revenue		(1,277,033)
Deposits, payable from restricted assets		134,221
Deferred outflows of resources - pensions		(67,219)
Deferred outflows of resources - OPEB		(31,772)
Deferred inflows of resources - pensions		1,735,976
Deferred inflows of resources - OPEB		462,270
Net pension liability		792,344
Net OPEB asset and net OPEB liability		(610,576)
Net cash flows from operating activities	$	3,466,209
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS		
Notes receivable acquired in exchange for properties	$	29,903,298

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.

Beginning on April 1, 2018, Home Forward changed its fiscal year end from March 31 to December 31. To implement this change in fiscal year, the financial statements, footnotes and supplementary information provided within this report are presented for a single nine month short period beginning April 1, 2018 and ending December 31, 2018.

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 a separate column in the financial statements to emphasize they are legally separate from the primary government.

Blended Component Units – Home Forward's operations include three blended component units, which are included in the basic financial statements and consists of a legally separate entities 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 to a HUD debt refinancing requirement.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

General Partner Ownerships presented in December 31, 2018 discretely presented component unit results:

- 1115 SW 11th Avenue Limited Partnership
- Beech Street Limited Partnership
- Cecelia Limited Partnership
- Civic Redevelopment Limited Partnership
- Haven Limited Partnership
- Humboldt Gardens Limited Partnership
- Jeffery Apartment Limited Partnership
- Lloyd Housing Limited Partnership
- North Group Limited Partnership
- RAC Housing Limited Partnership
- Square Manor 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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Public Housing— On November 1, 2018 Home Forward converted 112 units from Public Housing to Project Based Voucher subsidy via HUD's Rental Assistance Demonstration program and 238 units from Public Housing to Project Based Voucher subsidy via HUD's Section 18 program. This reduced the Public Housing unit count that Home Forward owns, operates and maintains from 1,310 units at March 31, 2018, to 960 units as of the nine months ended December 31, 2018. The remaining properties with Public Housing units were acquired through grants and subject to the terms of an Annual Contributions Contract with HUD. Revenues consist primarily of rents and other fees collected from tenants, and an Operating Subsidy from HUD. Funds from the Capital Fund 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, between 28.5% and 31% of adjusted household gross income. Housing Assistance Payments made to landlords and some participants are funded through Annual Contributions Contracts. As of the nine months ended December 31, 2018, Home Forward administered approximately 9,805 vouchers through several programs authorized by Section 8. Additionally, Home Forward administers the Short-Term Rent Assistance program on behalf of the City of Portland, the City of Gresham, and Multnomah County.

Affordable Housing & Special Needs Housing—Home Forward owns or is a partner in 5,369 units of housing. The Affordable Housing portfolio consists of 47 multifamily properties representing 4,867 units, of which 2,436 are owned through tax credit partnerships. The Special Needs portfolio consists of 34 properties representing 502 units. The Special Needs properties were developed using grant funds received from the State of Oregon and Federal programs combined with contributions from Home Forward and other local agencies.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

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

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

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

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

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

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

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

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

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

Rental Assistance Demonstration acquisition proceeds are externally restricted funds which consist of net proceeds received from the sale of 112 public housing units to the North Group Limited Partnership. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Section 18 acquisition proceeds are externally restricted funds which consist of net proceeds received from the sale of 238 public housing units to the North Group Limited Partnership. 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.

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 the nine months ended December 31, 2018, 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 the nine months ended December 31, 2018, the reserves were funded as required under the various agreements.

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

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

PILOT funds are maintained to fund Payments in Lieu of Taxes (PILOT) on certain rental properties owned by Home Forward. Under an agreement with the City of Portland, Home Forward is required to make an annual payment equal to $200,000. Home Forward also makes annual payments to the City of Fairview. Total payment to City of Fairview for the nine months ended December 31, 2018 was $149,997.

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

Investments—Pursuant to Home Forward's Moving to Work Agreement with 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Investments in partnerships represents Home Forward's equity interest in 17 limited partnerships, which are reported as Home Forward's discretely presented component units (see Note 7). These investments are accounted for under the equity method because Home Forward either holds a controlling interest or has "significant influence" over the operations of the partnerships.

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Other Liabilities—Non-current— represents the non-current liabilities due and payable to the General Partner for operating expenses paid on behalf of the Limited Partnership. These include wages and purchase card transactions.

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 the nine months ended December 31, 2018 were $1,224,893 and are a component of other accrued liabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

New pronouncements adopted – As of April 1, 2018, Home Forward adopted the provisions of the following GASB statements:

- 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). There is no impact to the financial statements.

- 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. There is no impact to the financial statements.

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

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. Implementation of this statement is effective fiscal year 2019.

- 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. Implementation of this statement is effective fiscal year 2019.

- 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. Implementation of this statement is effective fiscal year 2020.

- In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to the government financial statements related to debt, including direct borrowing and direct placements and clarifies which liabilities governments should include when disclosing information related to debt. Implementation of this statement is effective fiscal year 2019.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Implementation of this statement is effective fiscal year 2020.

- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Implementation of this statement is effective fiscal year 2019.

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Implementation of this statement is effective fiscal year 2021.

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 of 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. For the nine months ended December 31, 2018 Home Forward earned $983,189 in developer fees and was paid $2.1 million.

As of the nine months ended December 31, 2018 the balance of the development fees owed to Home Forward is $4.3 million. 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 $195,776 for the nine months ended December 31, 2018.

Home Forward did not purchase the remaining interest of any of its Tax Credit Limited Partnerships during the nine months ended December 31, 2018.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Pursuant to Home Forward's Moving to Work Agreement with 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.

As of the nine months ended December 31 2018, cash and investments consisted of the following:

Cash and cash equivalents	$ 46,241,779
Cash and cash equivalents - restricted	37,222,720
Total cash and cash equivalents	$ 83,464,499

At December 31, 2018, 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 the nine months ended December 31, 2018, 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.

As of the nine months ended December 31, 2018, Home Forward's restricted investments consists of money market mutual fund that has a S&P rating of AAA and a repurchase agreement with Bayerisch with a S&P rating of AAA and a weighted average maturity more than 3 years in the amount of $959,126.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments – restricted at December 31, 2018 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.

Fair Value of Financial Instruments—Investments held by Home Forward are stated at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Home Forward determines the fair value of these investments on a monthly basis, based on quoted market prices. Outside trustees provide monthly statements to report the fair value and pricing of the assets held by them, which are also based on quoted market prices. 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 as of the nine months ended December 31, 2018 as compared to the year ended March 31, 2018. Home Forward has no investments of this type as of the nine months ended December 31, 2018. Investments in derivatives are valued based upon quoted prices for similar assets in active markets.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

	Total	Level 2
Repurchase agreements	$ 475,941	$ 475,941
Investments in derivatives	(571,799)	(571,599)
Investment not subject to fair value levels:		
Guaranteed investment contract	481,616	
	$ 385,758	

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of the nine months ended December 31, 2018:

HUD grants	$ 786,124
State, local and other grants	1,808,723
Tenants and landlords	1,725,473
Other	260,674
Total accounts receivble	4,580,994
Less: Allowances for doubtful accounts	(351,277)
Accounts receivable, net	$ 4,229,717

5. DUE FROM PARTNERSHIPS

Due from partnerships consists of the following As of the nine months ended December 31, 2018:

Stephen's Creek Crossing North (4%)	$ 35,550
Cecelia Limited Partnership	679,500
Woolsey Limited Partnership	639,754
Wests Limited Partnership	69,918
Stephen's Creek Crossing South (9%)	26,215
Woods East Limited Partnership	73,407
Square Manor Limited Partnership	2,774,030
Lloyd Housing Limited Partnership	64,909
North Group Limited Partnership	359,647
All other partnerships	606,833
Total due from partnerships	5,329,763
Less: Allowances for doubtful accounts	(1,579,822)
Due from partnerships, net	$ 3,749,941

6. NOTES RECEIVABLE AND ACCRUED INTEREST

Notes and accrued interest receivable consist of the following as of the nine months ended December 31, 2018:

Partnerships notes	$ 282,102,271
Non-partnerships notes	20,572,172
Homeowners notes	208,300
	302,882,743
Accrued interest receivable	9,003,388
Less: Allowances for doubtful accounts	(7,603,318)
Total notes and accrued interest receivables	$ 304,282,813

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 as of the nine months ended December 31, 2018:

Investments in Limited Liability Partnerships	
RAC Housing Limited Partnerships	$ 21,185,411
Cecelia Limited Partnership	1,272,784
Haven Limited Partnership	515,910
Jeffrey Apartment Limited Partnership	50,931
St. Francis Park Limited Partnership	442,906
Square Manor Limited Partnership	291,851
North Group Limited Partnership	100
	23,759,893
Investments in Limited Liability Corporation	
Housing with Services	30,000
Total investments in partnerships	$ 23,789,893

8. CAPITAL ASSETS

Land, structures and equipment activity of Home Forward was as follows for the nine months ended December 31, 2018:

	Balance April 1, 2018	Additions	Disposals	Transfers	Balance December 31, 2018
Land	$ 30,013,709	$ -	$ -	$ -	$ 30,013,709
Construction in progress	4,610,193	5,631,533	(1,440,360)	(2,613,521)	6,187,846
Total capital assets not being depreciated	34,623,902	5,631,533	(1,440,360)	(2,613,521)	36,201,555
Buildings and improvements	219,848,998	79,382	(15,205,984)	2,193,452	206,915,848
Equipment	14,210,592	88,182	(806,933)	420,069	13,911,910
	234,059,590	167,564	(16,012,917)	2,613,521	220,827,758
Less accumulated depreciation					
Buildings and improvements	(109,464,310)	(6,319,391)	9,140,835	-	(106,642,866)
Equipment	(12,362,349)	(363,135)	717,894	-	(12,007,590)
	(121,826,659)	(6,682,526)	9,858,729	-	(118,650,456)
Total capital assets being depreciated	112,232,931	(6,514,962)	(6,154,188)	2,613,521	102,177,302
Total capital assets, net	**$ 146,856,833**	**$ (883,429)**	**$ (7,594,548)**	**$ -**	**$ 138,378,857**

During the nine months ended December 31, 2018, Home Forward transferred capital assets and construction in progress projects to North Group Limited Partnership with a net book value of $6,344,693 and a long term note receivable in the amount of $29,903,398 which represents 95% of the acquisition price.

9. ASSETS AVAILABLE FOR SALE

Home Forward had no assets available for sale as of the nine months ended December 31, 2018.

10. LINE OF CREDIT

Home Forward has an $8,000,000 operating revolving line of credit with Columbia Bank. 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 the nine months ended December 31, 2018, gross draws, including initial draws and draws after repayments, on the line of credit were $15,000,000 which represents both principal and accrued interest. The remaining outstanding line of credit balance for the nine months ended December 31, 2018 is $1,400,000. A summary of activity for Home Forward's line of credit for nine months ending December 31, 2018:

Balance April 1, 2018	Draws	Repayments	Balance December 31, 2018
$ 2,690,000	$ 15,000,000	$ (16,290,000)	$ 1,400,000

On December 27, 2018, Home Forward entered into an agreement with Beneficial State Bank for a ten year, $20,000,000 real estate revolving line of credit. The line of credit will be used to provide capital for real estate development activities. Collateral requirements include first deed of trust (and assignment of rents, if applicable) on a real estate collateral pool with a 75% maximum commitment to collateral value (75% LTV). Home Forward has identified that the three properties Grace Peck, Rosenbaum Plaza and Unthank will serve as the properties for the collateral pool. As borrower, Home Forward has the option to replace the properties identified as collateral provided other covenants are in compliance of the new collateral. Additional requirements are that for accounts which are wholly owned and/or controlled by Home Forward, Home Forward will aggregately maintain a minimum of $12,500,000 in deposit balances at Beneficial State bank during the term of the credit facility and Home Forward will maintain a 5-year certificate of deposit of $275,000 with Beneficial State Bank. Draws on the line of credit may bear a fixed or variable rate of interest. During the nine months ended December 31, 2018, gross draws, including initial draws and draws after repayments, on the line of credit were $93,219 which represents both closing costs and accrued interest. The remaining outstanding line of credit balance for the nine months ended December 31, 2018 is $93,219.

A summary of activity for Home Forward's line of credit for the nine months ending December 31, 2018:

Balance April 1, 2018	Draws	Repayments	Balance December 31, 2018
$ -	$ 93,219	$ -	$ 93,219

11. NOTES PAYABLE

Notes payables of Home Forward consist of the following as of the nine months ended December 31, 2018:

Property	Interest Rate	Final Maturity Date*	Payment Terms	Balance
Schiller Way	4.00%	2030	Monthly	$ 427,702
Schiller Way	4.14%	2021	Monthly	56,078
Richmond Place	3.00%	2016	Maturity Date	500,000
Turning Point	3.81%	2032	Monthly	332,957
Willow Tree	4.42%	2036	Monthly	559,098
Cambridge Court	1.00%	2032	Cash Flow	465,370
Cambridge Court	0.00%	2032	Cash Flow	397,753
Dawson Park	3.00%	2022	Cash Flow	356,106
Fenwick Apts	3.77%	2025	Monthly	1,098,574
Fenwick Apts	0.00%	Sale of Property	Cash Flow	1,176,730
Fenwick Apts	3.00%	2034	Monthly	132,205
Helen Swindells	3.00%	2023	Cash Flow	1,483,870
Helen Swindells	3.00%	2023	Cash Flow	600,451
Kelly Place	5.39%	2028	Monthly	280,287
James Hawthorne	0.00%	Sale of Property	Cash Flow	5,728,950
North Interstate	0.00%	Sale of Property	Cash Flow	929,905
Yards at Union Station	1.00%	2027	Monthly	896,752
Pearl Court	3.00%	2027	Monthly	603,349
Peter Paulson	7.91%	2024	Cash Flow	1,021,301
Peter Paulson	0.50%	2024	Cash Flow	250,000
Peter Paulson	0.00%	2024	Cash Flow	689,635
Schiller Way	0.00%	Sale of Property	Cash Flow	505,351
SW 45th (Carriage Hill Apts)	0.00%	Sale of Property	Cash Flow	179,427
Forward balance to next page				$ 18,671,849

11. NOTES PAYABLE (Continued)

Property	Interest Rate	Final Maturity Date*	Payment Terms	Balance
Forward balance from previous page				$ 18,671,849
SW 45th (Carriage Hill Apts)	3.00%	2032	Monthly	29,284
Willow Tree	0.00%	2035	Cash Flow	167,902
Fairview Oaks & Woods	3.58%	2047	Monthly	10,798,994
Rockwood Station	3.58%	2047	Monthly	4,337,819
Rockwood Station (Mpower)	6.00%	2025	Monthly	118,518
Hawthorne Home	6.00%	2029	Monthly	42,468
Madison Home	6.00%	2029	Monthly	42,230
North Interstate	6.00%	2033	Monthly	398,485
Project Open Door	1.75%	2027	Monthly	154,932
Taylor Home	7.00%	2029	Monthly	40,288
Ashcreek Commons	3.94%	2034	Monthly	1,708,322
Ainsworth Court	0.00%	2052	Cash Flow	1,164,588
Ainsworth Court	4.77%	2034	Monthly	2,132,092
Madrona Apartments	5.31%	2034	Monthly	1,244,034
Kelly Place	0.00%	2046	Maturity Date	350,456
Rockwood Landing	0.00%	2058	Maturity Date	150,000
Gretchen Kafoury	3.00%	2031	Maturity Date	2,664,000
Stephens Creek Crossing	0.00%	Sale of Property	Converts to Grant	1,798,318
Hamilton West	3.00%	2031	Monthly	620,506
Hamilton West	0.00%	Sale of Property	Cash Flow	2,039,641
Helen Swindells (Mpower)	6.00%	2024	Monthly	58,492
Rockwood Landing (Mpower)	6.00%	2025	Monthly	49,022
Rockwood Landing	3.86%	2029	Maturity Date	343,821
St. Francis LLC	3.38%	2050	Monthly	3,711,404
Sequoia Square	3.00%	2031	Monthly	73,235
St Francis LLC	0.00%	Sale of Property	Cash Flow	5,308,686
Sequoia Square	8.08%	2031	Monthly	615,078
Sequoia Square	3.99%	2031	Monthly	385,496
Sequoia Square	0.00%	Sale of Property	Cash Flow	514,486
Lovejoy Station	3.00%	2032	Monthly	2,840,778
Fountain Place	1.00%	2056	Cash Flow	2,725,500
Gateway Park	5.10%	2033	Monthly	5,232,720
				70,533,444
Less: Current portion of notes payable				(1,596,174)
Total notes payable - long term				$ 68,937,270

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

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

11. NOTES PAYABLE (Continued)

A summary of activity of Home Forward's notes payable as of the nine months ended December 31, 2018 is as follows:

Balance April 1, 2018	Increase	Decrease	Balance December 31, 2018
$ 72,068,414	$ -	$ (1,534,970)	$ 70,533,444

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

	Principal	Interest
2019	$ 1,626,118	$ 1,731,415
2020	2,189,628	1,678,735
2021	1,730,629	1,640,038
2022	2,161,533	1,560,408
2023	3,944,437	1,440,947
2024-2028	13,148,699	5,164,513
2029-2033	13,203,968	3,612,124
2034-2038	4,059,006	1,921,823
2039-2043	4,679,059	1,717,905
2044-2048	3,784,732	432,229
2049-2053	1,502,771	146,226
2054-2058	2,875,502	81,765
	54,906,082	21,128,128
Notes with no set maturity	15,627,362	-
	$ 70,533,444	$ 21,128,128

12. BONDS PAYABLE

Bonds payable of Home Forward, which are secured by mortgages on the respective properties, consist of the following as of the nine months ended December 31, 2018:

Bond Issue	Bond Type	Interest Rate	Final Maturity Year	Balance
Dawson Park 2012	Fixed	3.37%	2027	$ 1,138,280
New Market West 2012	Variable	2.18%	2038	3,271,449
Pearl Court	Fixed	4.20%	2027	3,430,000
Gretchen Kafoury	Fixed	3.00%	2034	3,725,000
Hamilton West	Fixed	3.00%	2034	3,205,000
Yards at Union Station	Fixed	4.40%	2029	3,940,000
Lovejoy Station	Fixed	1.10%	2034	8,685,000
Fountain Place	Fixed	5.80%	2034	2,349,143
				29,743,872
Less current portion of bonds payable				(1,609,322)
				28,134,550
Plus unamortized premiums				277,564
Less unamortized discounts				(102,540)
Total				$ 28,309,573

A summary activity of Home Forward's bonds payable for the nine months ended December 31, is as follows:

Balance April 1, 2018	Increase	Decrease	Balance December 31, 2018
$ 33,135,988	$ -	$ (3,392,116)	$ 29,743,872

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

	Principal	Interest
2019	$ 1,609,322	$ 1,232,738
2020	1,658,383	1,167,188
2021	1,708,645	1,097,033
2022	1,764,037	1,024,952
2023*	6,668,683	948,743
2024-2028	6,723,251	3,125,157
2029-2033	5,532,540	1,451,139
2034	4,079,011	127,876
Total	$ 29,743,872	$ 10,174,826

For the variable rate debt, the December 31, 2018 interest rate of 3.17% 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.

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 as of the nine months ended December 31, 2018:

Partnership	Bond Type	Interest Rate*	Final Maturity Year	Balance
Lloyd Housing Limited Partnership	Variable	4.02%	2036	$ 38,300,000
Civic Redevelopment Limited Partnership	Variable	1.71%	2038	7,800,000
Trouton Limited Partnership	Variable	1.67%	2037	5,090,000
Cecelia Limited Partnership	Variable	1.67%	2035	3,110,000
Stephens Creek Crossing North LP	Fixed	4.56%	2031	2,916,144
Humboldt Gardens Limited Partnership	Fixed	6.17%	2040	850,000
Wests Limited Partnership	Fixed	4.18%	2052	13,197,920
Woods East Limited Partnership	Fixed	4.18%	2052	15,627,720
Square Manor Limited Partnership	Fixed	4.25%	2035	5,675,722
Square Manor Limited Partnership (Construction)	Fixed	2.125%	2020	4,184,608
North Limited Partnership	Variable	3.675%		16,136,388
				112,888,502
Less Current Portion				(816,576)
Total bonds payable and notes receivable - partnerships				$ 112,071,926

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

During the nine months ended December 31, 2018, Home Forward issued multi-family mortgage revenues construction notes associated with the North Limited Partnership. The construction note is a variable rate bond with a current rate of 3.675%. A summary activity of Home Forward's bonds payable as of the nine months ended December 31, 2018 is as follows:

Balance April 1, 2018	Increase	Decrease	Balance December 31, 2018
$ 96,884,415	$ 46,395,289	$ (30,391,202)	$ 112,888,502

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

	Principal	Interest
2019	$ 816,576	$ 1,865,539
2020	43,344,129.00	1,939,158.00
2021	17,029,837	1,902,276
2022	813,414	1,863,662
2023	849,457	1,824,829
2024-2028	4,864,061	8,484,153
2028-2033	7,745,505	7,029,548
2034-2038	12,845,486	4,620,428
2039-2043	12,829,629	3,003,628
2043-2049	6,116,410	1,849,526
2050-Thereafter	5,633,998	473,211
Total	$ 112,888,502	$ 34,855,958

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 (Cecilia), 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 1.81% as of the nine months ended December 31, 2018. The swap instrument associated with the remaining bonds matures July 1, 2021, and is fixed at 4.39% on a notional amount of $3.11 million as of the nine months ended December 31, 2018 for which Home Forward receives the 30 day SIFMA rate. The fair values loss of the swap was $196,673 as of the nine months ended December 31, 2018.

The Trouton bonds mature in 2038. The variable rate on the bonds was 1.81% as of the nine months ended December 31, 2018. The swap instrument associated with the remaining bonds matures July 1, 2022, and is fixed at 4.188% on a notional amount of $5.09 million as of the nine months ended December 31, 2018 for which Home Forward receives the 30 day SIFMA rate. The fair values loss of the swap was $395,111 as of the nine months ended December 31, 2018.

New Market West bonds mature in 2038. The variable rate on the bonds was 3.19 % as of the nine months ended December 31, 2018. The bond documents were amended effective December 31, 2018 to waive the requirement for the mandatory purchase of the bonds and waives the requirement of the 45 day notice. 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 2012 up to $4.21 million for which Home Forward receives 78.5% of the 30 day LIBOR rate. The fair value gain and loss of the swap was ($19,984) as of the nine months ended December 31, 2018.

14. ADDITIONAL BONDS PAYABLE INFORMATION (Continued)

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 nine months ended December 31, 2018 was a decrease of $91,165. The fair value of the swap instruments is reflected as derivative instruments liability on the statement of net position and is 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 the nine months ended December 31, 2018. 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. As of the nine months ended December 31, 2018, 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 the nine months ended December 31, 2018, 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 2017 Comprehensive Annual Financial Report:

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

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

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

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

<u>PERS Pension (Defined Benefits)</u>

Home Forward is a participant of the PERS pension program. PERS benefits, as described by the PERS 2018 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.

15. RETIREMENT PLAN (Continued)

Death Benefits

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

• the member was employed by a PERS employer at the time of death,

• the member died within 120 days after termination of PERS-covered employment,

• the member died as a result of injury sustained while employed in an PERS-covered job, or

• the member was on an official leave of absence from a PERS-covered job at the time of death.
A member's beneficiary may choose a monthly payment for life instead of the lump-sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of $30 per month for deaths that occur July 30, 2003, and earlier; $200 per month for deaths that occur after July 30, 2003.

Disability Benefits

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

Benefit Changes After Retirement

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

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

OPSRP Pension Programs

Home Forward is a participant of the pension programs, a hybrid defined benefit/defined contribution plan for those employees hired after August 29, 2003. OPSRP benefits, as described by the PERS 2018 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.

15. RETIREMENT PLAN (Continued)

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.

<u>OPSRP Individual Account Program (Defined Contribution)</u>

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.

15. RETIREMENT PLAN (Continued)

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

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

The amount contributed by Home Forward for the nine months ended December 31, 2018 was approximately $740,274 which represents the required contributions for both the employee and the employer for the year presented.

Net Pension Assets and Liabilities

As of the nine months ended December 31, 2018, Home Forward reported a liability of $21,456,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuations as of December 31, 2016 rolled forward to June 30, 2018 (measurement date). Home Forward’s proportion of the net pension liability was based on a projection of Home Forward’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, Home Forward’s proportion was 0.1416% which decreased from its proportion of 0.1532% measured as of June 30, 2017.

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

For the nine months ended December 31, 2018, Home Forward recognized pension expense of $2,461,101 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 740,274	$ -
Net differences between expected and actual experience	729,895	-
Changes in assumptions	4,988,658	-
Net differences between projected and actual earnings on plan investments	-	952,802
Changes in proportion	104,442	1,286,608
Difference between the employer's contributions and the employer's proportionate share of contributions	-	372,892
	$ 6,563,269	$ 2,612,302

The amount of $740,274 reported as of the nine months ended December 31, 2018 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 year ended December 31, 2019. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized in pension expense.

15. RETIREMENT PLAN (Continued)

Deferred inflows and deferred outflows of resources as of the nine months ended December 31, 2018 is as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	$ 2,219,958
2020	1,511,641
2021	(573,736)
2022	(22,686)
2023	75,516
	$ 3,210,693

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

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

The total pension liability based on the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	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.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Discount rate	7.20%
Inflation	2.50%
Projected salary increases	3.50% overall payroll growth
Investment rate of return	7.20%
Mortality	Health retirees and beneficiaries: RP2014 generational mortality tables with groupspecific class and setback adjustments, and a mortality projection scale based on 60 year unisex average Social Security experience
	Active Members: P2014 employee tables with the same group-specific class and setback adjustments and mortality projection scale as used for the healthy retiree mortality assumption
	Disabled retirees: RP2014 disabled tables with generational mortality projected using a mortality projection scale based on 60 year unisex average Social Security experience

15. RETIREMENT PLAN (Continued)

Long-term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows the actuary'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.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Total	100%	
Assumed Inflation - Mean		2.50%

Change in Assumptions

Investment Return and Interest Crediting
The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.20%. Previously, the assumed investment return and interest crediting was 7.50%.

Administrative Expenses
The administrative expense assumptions were updated to $37.5 million per year for Tier 1/Tier 2 and $6.5 million per year for OPSRP. Previously these were assumed to be $33.0 million per year and $5.5 million per year, respectively.

Merit Increases, Unused Sick Leave, and Vacation Pay
Assumed merit increases were decreased slightly from 7.75% to 7.50%.

15. RETIREMENT PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Home Forward's proportionate 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 7.20 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate:

Home Forward's proportionate share of net pension liability at measurement date June 30, 2018:

1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
$ 35,858,316	$ 21,456,768	$ 9,569,472

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 the nine months ended December 31, 2018 was $230,962. 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 is closed to new entrants after August 29, 2003. The Schedule of Employer Allocations and OPEB Amounts by Employer along with PERS audited financial statements and the Schedule of OPEB Amounts under GASB Statement No. 75 prepared by PERS' third-party actuaries as of and for the year ended June 30, 2018 (the measurement period) may be obtained online at https://www.oregon.gov/pers or by writing to Public Employees' Retirement System, P.O. Box 23700, Tigard, Oregon, 97281-3700, or by calling 1-888-320-7377.

16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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 and amounted to $47,012 for the nine months ended December 31, 2018. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. Participating employees are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.50% of annual covered PERS payroll and 0.43% of OPSRP payroll. The PERS board sets the employer contribution rate based on creditable compensation for active members reported by employers. Effective March 31, 2018, Home Forward adopted GASB Statement No. 75 where Home Forward recognizes a liability as the employees earn benefits by providing services. Changes to OPEB liability are recognized immediately as OPEB expenses or deferred outflows/inflows of resources.

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

As of the nine months ended December 31, 2018, Home Forward reported an asset of $154,742 for its proportionate share of the collective net OPEB asset. The collective net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the collective net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018 (measurement date). Home Forward's proportion of the collective net OPEB assets was based on a projection of Home Forward's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, measurement date, Home Forward's proportion was 0.13 percent, which was a decrease of 0.01 percent from its proportion measured as of June 30, 2017 (0.14 percent).

For the nine months ended December 31, 2018, Home Forward recognized OPEB expense of $113,073 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contribution subsequent to measurement date	$ 31,341	$ -
Net differences between expected and actual experience	-	8,770
Changes in assumptions	-	491
Net differences between projected and actual earning on plan investments	-	33,362
Changes in proportion	431	1,460
Total	31,772	44,083

16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

Year ended December 31	Deferred Outflows (Inflows) of Resources
2019	$ (14,712)
2020	(14,454)
2021	(11,168)
2022	(3,318)
	$ (43,652)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of occurrence of events into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown below are based on the 2015 Experience Study, which reviewed experience for the four-year period ended on December 31, 2015.

Valuation Date	December 31, 2016
Measurement Date	June 30, 2018
Experience Study Report	2016, published July 26, 2017
Actuarial Cost Method	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.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Discount rate	7.20%
Inflation	2.50%
Projected salary increases	3.50% overall payroll growth
Investment rate of return	7.20%
Mortality	Health retirees and beneficiaries: RP2014 generational mortality tables with groupspecific class and setback adjustments, and a mortality projection scale based on 60 year unisex average Social Security experience
	Active Members: P2014 employee tables with the same group-specific class and setback adjustments and mortality projection scale as used for the healthy retiree mortality assumption
	Disabled retirees: RP2014 disabled tables with generational mortality projected using a mortality projection scale based on 60 year unisex average Social Security experience

16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows thes actuary'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.

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Total	100%	
Assumed Inflation - Mean		2.50%

Changes in assumptions

Investment Return and Interest Crediting
The assumed investment return and interest crediting to both regular and variable account balances was reduced to 7.20%. Previously, the assumed investment return and interest crediting was 7.50%.

Administrative Expenses
The administrative expense assumptions were updated to $37.5 million per year for Tier 1/Tier 2 and $6.5 million per year for OPSRP. Previously these were assumed to be $33.0 million per year and $5.5 million per year, respectively.

Merit Increases, Unused Sick Leave, and Vacation Pay
Assumed merit increases were decreased slightly from 7.75% to 7.50%.

16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Discount rate

The discount rate used to measure the total OPEB liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

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

The following presents Home Forward's proportionate share of the collective net OPEB asset, as well as what Home Forward's proportionate share of the collective net OPEB asset at the measurement date June 30, 2018 would be if it were calculated using a discount rate that is one percent lower (6.20 percent) or one percent higher (8.20 percent) than the current rate:

1% Decrease	Current Rate (7.20%)	1% Increase
$ (90,098)	$ (154,742)	$ (209,766)

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

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

As Home Forward pays none of the premiums of health insurance coverage for retirees from age 58 to 65, Home Forward has not established and does not intend to establish a trust fund to supplement the costs for other post-employment benefit obligation related to this implicit benefit. Home Forward's regular health care benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in lieu payment to secure coverage under independent plans. As of the nine months ended December 31, 2018, there were 13 retirees and/or surviving spouses receiving the post-employment implicit healthcare benefits.

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

16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

As of the nine months ended December 31, 2018, Home Forward reported a total OPEB liability of $900,487, for its implicit benefit subsidy.

The following table below shows the changes in the total OPEB liability for the nine months ended December 31, 2018:

	Total OPEB Liability
Beginning of year, April 1, 2018	$ 1,415,327
Benefit Payments	(66,832)
Service Cost	36,662
Interest on Total OPEB Liability	42,494
Change in Assumptions	(512,048)
Experience (Gain) / Loss	(15,116)
End of year, December 31, 2018	$ 900,487

For the nine months ended December 31, 2018, Home Forward recognized OPEB expense of $17,738.

As of the nine months ended December 31, 2018, Home Forward reported deferred inflows of resources related to OPEB from the following sources:

	Deferred inflows of Resources
Difference between expected and actual experience	$ 140,525
Changes of assumptions or other inputs	577,260
Total	$ 717,785

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

Year ended December 31	Deferred Inflows of Resources OPEB RHIA
2019	$ (79,330)
2020	(79,330)
2021	(79,330)
2022	(79,330)
2023	(79,330)
All Subsequent Years	(321,135)
	$ (717,785)

16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Actuarial Methods and Assumptions for Implicit Benefit subsidy

Certain actuarial assumptions for the Implicit Benefit subsidy calculation are from the actuarial report as of the nine months ended December 31, 2018. Rates of mortality, retirement, and withdrawal are the same rates that were used in the December 31, 2018 actuarial valuation of the Oregon Public Employees Retirement System and are updated after each new PERS actuarial valuation is completed. For the other demographic assumptions such as entrance and persistence, the experience study was completed in December 2018.

Valuation Date	December 31, 2018
Measurement Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Investment return assumption equal to expectation of Home Forward's own investment funds
Interest Rate Discount	4.1% per year
Medical Cost Annual Trend Rate	General inflation rate of 2.5%
Dental Cost Annual Trend Rate	General inflation rate of 2.5%
Mortality Rates	Rates of mortality for active male employees are 75% of the male generational rates and rates of mortaility for active female employees are 60% of the female generational rates

Long-term expected rate of return

The 4.10% discount rate assumption is the December 31, 2018 rate in the 20-Year General Obligation Municipal Bond Index published by Bond Buyer. This discount rate represents the long-term investment yield on Home Forward's assets.

Sensitivity of total OPEB liability to changes in the discount rates

The following presents what Home Forward's total OPEB liability at the measurement date December 31, 2018 would be if it were calculated using a discount rate that is one percent lower (3.10 percent) or one percent higher (5.10 percent) than the current rate:

1% Decrease	Current Rate (4.10%)	1% Increase
$ 970,373	$ 900,487	$ 836,093

16. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

The following presents what Home Forward's total OPEB liability at measurement date June 30, 2018 would be if it were calculated using healthcare cost trend rates that are one percent lower or one percent higher than the current healthcare cost trend rates:

1% Decrease	Current Rate	1% Increase
$ 816,756	$ 900,487	$ 998,782

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. On March 1, 2018, Key Community Development Corporation transferred their interest in Gateway Park Apartments Limited Partnership (Gateway LP) as the Limited Partner to HFDE. These entities are collectively referred as blended component units in this footnote.

The condensed Statement of Net Position of the blended component units are as follows as of December 31, 2018:

	HOME FORWARD DEVELOPMENT ENTERPRISES	ST. FRANCIS, LLC	GATEWAY LP
ASSETS			
Current assets	$ 4,602,255	$ 1,080,103	$ 876,535
Non-current Assets	40,748,379	-	-
Capital assets	-	7,447,340	4,904,893
Total assets	45,350,634	8,527,443	5,781,428
LIABILITIES			
Current liabilities	61,676	120,826	436,117
Non-current liabilities	-	9,019,209	5,001,325
Total liabilities	61,676	9,140,035	5,437,441
NET POSITION:			
Restricted	-	379,159	369,195
Unrestricted	45,288,958	(991,749)	(25,209)
Total net position	$ 45,288,958	$ (612,590)	$ 343,986

18. BLENDED COMPONENT UNITS (Continued)

The condensed Statement of Revenues, Expenses and Changes in Net Positions of blended component units are as follows for the nine months ended December 31, 2018:

	DEVELOPMENT ENTERPRISES	ST. FRANCIS, LLC	GATEWAY, LP
OPERATING REVENUES:			
Dwelling rental	$ -	$ 627,240	$ 1,121,750
Non-dwelling rental	-	99,742	1,620
Other	-	17,332	19,387
	-	744,314	1,142,757
OPERATING EXPENSES:			
Administration	392,011	230,016	167,877
Tenant services	-	-	12,600
Program Expense	-	-	1,658
Utilities	-	113,791	242,037
Maintenance	-	120,078	291,892
Depreciation	-	145,086	246,599
General and other	50	57,356	32,433
	392,061	666,327	995,096
OPERATING INCOME/(LOSS)	(392,061)	77,987	147,661
NONOPERATING REVENUES (EXPENSES):			
Investment income	805,977	1,009	1,776
Interest expense	-	(101,117)	(203,470)
Other nonoperating expenses	(466,748)	-	-
Loss on disposal of capital assets	-	(6,644)	-
	339,229	(106,752)	(201,694)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(52,832)	(28,765)	(54,033)
CAPITAL CONTRIBUTIONS:			
Other nonoperating contributions	-	(24,765)	-
DECREASE IN NET POSITION	(52,832)	(53,530)	(54,033)
NET POSITION-Beginning of year at April 1, 2018	45,341,790	(559,061)	398,019
NET POSITION—End of year at December 31, 2018	$ 45,288,958	$ (612,590)	$ 343,986

18. BLENDED COMPONENT UNITS (Continued)

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

	HOME FORWARD DEVELOPMENT ENTERPRISES	ST. FRANCIS LLC	GATEWAY, LP
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from tenants and landlords	$ -	$ 721,685	$ 1,119,164
Receipts from others	60,083	2,438	19,387
Payments to and on behalf of employees	-	(192,889)	(162,042)
Payments to vendors, contractors and others	(858,809)	(339,374)	(563,113)
	(798,726)	191,860	413,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest paid on notes and bonds payable	-	(94,779)	(203,837)
Principal payments on notes payable	-	(48,109)	(172,437)
Receipt of cash restricted for deposits payable	-	3,929	-
Acquisition and construction of capital assets	-	(13,672)	(6,173)
	-	(152,631)	(382,448)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Issuance of notes receivable	533,743	-	-
Increase in accrued interest on notes payable	745,893	-	-
Development fee earned outstanding	(98,325)	-	-
Change in due from partnerships	369,460	-	-
Investment income received	-	1,008	1,776
	1,550,771	1,008	1,776
NET INCREASE IN CASH AND CASH EQUIVALENTS	752,046	40,237	32,724
CASH AND CASH EQUIVALENTS—Beginning of year at April 1, 2018	3,851,159	1,010,649	824,392
CASH AND CASH EQUIVALENTS—End of year at Dcemmber 31, 2018	$ 4,603,203	$ 1,050,886	$ 857,117

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, 2018 is as follows:

	North Group	Cecelia	Trouton	Woolsey	Civic Redevelopment	Humboldt Gardens	1115 SW 11th Avenue
ASSETS							
Cash and cash equivalents	$ 546,143	$ 470,910	$ 954,898	$ 867,640	$ 192,883	$ 112,685	$ 382,830
Cash and cash equivalents - restricted	4,324,313	1,148,534	1,630,226	1,227,860	2,303,027	1,262,870	1,021,528
Accounts receivables	11,130	8,413	10,837	3,841	4,508	92,502	1,571
Other assets	762,649	170,876	495,018	107,120	603,419	197,335	47,443
Capital assets - net	11,130,480	10,315,646	24,382,363	10,843,410	12,324,149	20,738,340	11,764,375
TOTAL	$ 16,774,715	$ 12,114,379	$ 27,473,342	$ 13,049,871	$ 15,427,986	$ 22,403,732	$ 13,217,747
LIABILITIES AND NET POSITION							
LIABILITIES:							
Current liabilities	$ 720,636	$ 270,714	$ 464,874	$ 261,549	$ 1,209,587	$ 117,442	$ 136,769
Long-term liabilities	51,306,345	14,133,988	32,045,064	5,037,319	14,531,660	21,195,148	11,476,329
NET POSITION:							
Net Investment in capital assets	(40,193,780)	(3,252,266)	(6,414,309)	6,096,378	1,771,560	995,004	298,082
Funds held in trust	1,726	770,095	675,565	544,734	508,273	777,254	798,309
Unrestricted (deficit)	4,939,788	191,848	702,148	1,109,891	(2,593,094)	(681,116)	508,258
TOTAL LIABILITIES AND NET POSITION	$ 16,774,715	$ 12,114,379	$ 27,473,342	$ 13,049,871	$ 15,427,986	$ 22,403,732	$ 13,217,747
Operating revenues	$ 381,651	$ 1,569,505	$ 3,134,497	$ 1,396,068	$ 1,628,827	$ 1,349,467	$ 1,123,944
Operating expenses	(441,719)	(2,070,668)	(3,939,397)	(1,966,086)	(1,693,516)	(2,589,198)	(1,303,081)
Operating income (loss)	(60,068)	(501,163)	(804,900)	(570,018)	(64,689)	(1,239,731)	(179,137)
Nonoperating revenues	-	15,953	19,539	2,271	24,795	28,307	16,060
Nonoperating expenses	(36,897,716)	(282,132)	(412,037)	(194,783)	(574,789)	(239,459)	(11,575)
Loss before capital contributions	(36,957,784)	(767,342)	(1,197,398)	(762,530)	(614,683)	(1,450,883)	(174,652)
Capital contributions	1,705,518	-	-	-	-	-	-
Change in net position	$ (35,252,266)	$ (767,342)	$ (1,197,398)	$ (762,530)	$ (614,683)	$ (1,450,883)	$ (174,652)

(continued)

*Unaudited

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

	RAC Housing	Stephens Creek Crossing- South	Stephens Creek Crossing- North	Beech Street*	West	Woods East	All other partnerships	Total
ASSETS								
Cash and cash equivalents	$ 292,872	$ 203,786	$ 203,394	$ 286,841	$ 2,800,817	$ 3,484,577	$ 4,692,262	$ 15,492,538
Cash and cash equivalents - restricted	1,476,935	471,532	752,836	195,342	1,228,446	1,630,082	19,397,235	38,070,766
Accounts receivables	62,747	21,845	40,530	3,640	16,084	23,086	15,559	316,293
Other assets	58,914	68,441	222,746	71,216	1,660,455	2,123,049	687,682	7,276,363
Capital assets - net	24,664,590	10,412,710	19,049,979	7,891,937	38,059,781	28,697,804	62,903,746	293,179,310
TOTAL	$ 26,556,058	$ 11,178,314	$ 20,269,485	$ 8,448,976	$ 43,765,583	$ 35,958,598	$ 87,696,484	$ 354,335,270
LIABILITIES AND NET POSITION								
LIABILITIES:								
Current liabilities	$ 79,367	$ 66,964	$ 132,033	$ 54,492	$ 794,779	$ 848,454	$ 11,650,641	$ 16,808,301
Long-term liabilities	6,520,980	4,648,582	17,289,592	1,372,690	35,040,453	43,958,677	69,856,855	328,413,682
NET POSITION:								
Net Investment in capital assets	18,220,420	5,736,425	1,671,574	6,546,328	12,289,329	10,209,202	(3,161,529)	10,812,418
Funds held in trust	619,411	460,819	729,939	177,942	830,259	1,151,167	17,816,450	25,861,943
Unrestricted (deficit)	1,115,880	265,524	446,347	297,524	(5,189,237)	(20,208,902)	(8,465,933)	(27,561,074)
TOTAL LIABILITIES AND NET POSITION	$ 26,556,058	$ 11,178,314	$ 20,269,485	$ 8,448,976	$ 43,765,583	$ 35,958,598	$ 87,696,484	$ 354,335,270
Operating revenues	$ 2,853,735	$ 649,968	$ 1,029,117	$ 534,460	$ 3,596,676	$ 4,387,577	$ 2,740,834	$ 26,376,326
Operating expenses	(2,828,556)	(1,012,952)	(1,898,594)	(840,417)	(3,888,178)	(5,022,615)	(3,468,893)	(32,963,870)
Operating income (loss)	25,179	(362,984)	(869,477)	(305,957)	(291,502)	(635,038)	(728,059)	(6,587,544)
Nonoperating revenues	1,090	5,041	14,804	1,168	55,384	75,101	4,518	264,031
Nonoperating expenses	(46,359)	(98,193)	(134,170)	(7,075)	(998,605)	(1,224,360)	(1,121,770)	(42,243,023)
Loss before capital contributions	(20,090)	(456,136)	(988,843)	(311,864)	(1,234,723)	(1,784,297)	(1,117,252)	(41,978,992)
Capital contributions	-	-	11,070	-	-	-	955,650	2,672,238
Change in net position	$ (20,090)	$ (456,136)	$ (977,773)	$ (311,864)	$ (1,234,723)	$ (1,784,297)	$ (889,661)	$ (45,894,298)

*Unaudited

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

Summarized Capital assets – Discretely presented component units

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

	Balance January 1, 2018	Additions and transfers in	Disposal and transfers out	Balance December 31, 2018
Land	$ 11,598,913	$ -	$ (2,128,489)	$ 9,470,424
Construction in progress	14,810,737	36,155,738	(13,348,144)	37,618,331
Total capital assets not being depreciated	26,409,650	36,155,738	(15,476,633)	47,088,755
Buildings and improvements	350,337,529	56,537,567	(57,439,177)	349,435,919
Capital lease	-	2,627,085	-	2,627,085
Equipment	16,790,805	451,572	(532,462)	16,709,915
	367,128,334	59,616,224	(57,971,639)	368,772,919
Less accumulated depreciation	(115,559,220)	(15,289,502)	8,166,358	(122,682,364)
Total capital assets being depreciated	251,569,114	44,326,722	(49,805,281)	246,090,555
Total capital assets, net	**$ 277,978,764**	**$ 80,482,460**	**$ (65,281,914)**	**$ 293,179,310**

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

Summarized notes payable – Discretely presented component units

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

	December 31, 2018
Notes payable - General Partner	$ 222,971,300
Mortgages and other housing related notes	93,371,073
	316,342,373
Less current portion	(1,138,768)
Noncurrent portion	$ 315,203,605

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

Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018
$ 276,848,854	$ 53,314,368	$ (13,820,849)	$ 316,342,373

20. COMMITMENTS AND CONTINGENCIES

Leases **-** As of the nine months ended December 31, 2018, Home Forward has approximately 9,805 dwelling units under lease to Section 8 landlords. The terms of these leases extend up to one year. Housing assistance payments under these leases, including FSS program contributions, for the nine months ended December 31, 2018 was approximately $78,493,242.

Construction Commitments **-** As of the nine months ended December 31, 2018, Home Forward had construction commitments of approximately $61,415,058.

Contingent Liabilities **-** Home Forward has entered into long-term use agreements with the City of Portland, Multnomah County and the State of Oregon in exchange for development funds for group homes and other projects. These agreements expire between 2019 and 2065. Repayment of an amortized portion of these funds is required if Home Forward does not use the properties according to their intended purposes. Home Forward has not and does not intend to violate those agreements. The exposure, if recorded, would be approximately $3,564,316.

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 the nine months ended December 31, 2018, no additional liability existed relating to excess operating deficits for any of the partnerships.

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.

Home Forward contracts with Marsh & McLennan Companies for broker services. Annually, Marsh markets the agency's insurance coverage needs to a wide variety of insurance markets. From this effort, Marsh's comprehensive insurance program provides appropriate levels of insurance coverage for property, boiler & machinery equipment, casualty/general liability, automotive, umbrella, financial and professional lines, crime, and cyber/special risks.

Marsh's comprehensive insurance provides coverage for 2,556 affordable properties, 1 New Market West property, 1,005 public housing properties, and 228 special needs properties. This does not include the 497 units Home Forward's Asset Management manages as part of our inter-governmental agreement with the City of Portland.

Marsh coverage as of the nine months ended December 31, 2018, includes:

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

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

Settlements have not exceeded coverage during the last three years. Home Forward has three liability claims as of the nine months ended December 31, 2018.

22. SUBSEQUENT EVENTS

On November 30, 2018, Home Forward entered, as General Partner, the North Group Limited Partnership. U.S. Bancorp Community Development Corporation is the Limited Partner. This limited partnership purchased seven multifamily properties from Home Forward for $42 million. These properties will undergo comprehensive rehabilitation and are part of Phase 5 of the 85 Stories initiative.

Home Forward has evaluated subsequent events through June 12, 2019, 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)

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SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Measurement Date	(a) Home Forward's proportion of the net pension liability (asset)	(b) Home Forward's proportionate share of the net pension liability (asset)	(c) Home Forward's covered payroll	(b/c) Home Forward's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2018	0.14164116%	$ 21,456,768	$ 17,357,082	123.62%	82.07%
June 30, 2017	0.15329650%	20,664,424	17,227,380	119.95%	83.12%
June 30, 2016	0.15888919%	23,852,957	17,299,181	137.88%	80.50%
June 30, 2015	0.15526214%	8,914,316	17,560,269	50.76%	91.90%
June 30, 2014	0.16124152%	(3,654,885)	16,954,319	-21.56%	103.60%

SCHEDULE OF PENSION CONTRIBUTIONS

Year Ended	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) Home Forward's covered payroll	(b/c) Contributions as a percent of covered payroll
December 31, 2018**	$ 1,828,865	$ 1,828,865	$ -	$ 11,016,913	16.60%
March 31, 2018	1,755,769	1,755,769	-	13,868,333	12.66%
March 31, 2017	1,476,588	1,476,588	-	13,704,448	10.77%
March 31, 2016	1,465,817	1,465,817	-	14,627,116	10.02%
March 31, 2015	1,565,938	1,565,938	-	13,397,903	11.69%

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

* Fiscal year ended March 31, 2015 was the first year of implementation of GASB Statement No. 68, therefore only five years of information is shown. Fiscal year ended December 31, 2018 information only included nine months from April 1, 2018 to December 31, 2018.

** This line represents the nine month period ended December 31, 2018, as Home Forward changed its fiscal year end to December 31 effective April 1, 2018.

OTHER POST EMPLOYMENT BENEFITS

Retirement Health Insurance Account (RHIA)

Schedule of Changes in Net OPEB Asset and Related Ratios *

Measurement Date	Proportion of the net OPEB asset	Proporationate share of the net OPEB asset	Covered Payroll	Percentage of covered payroll
June 30, 2018	0.13862370%	$ 154,742	$ 17,367,082	0.89%
June 30, 2017	0.14138660%	59,006	17,227,380	0.34%

Schedule of OPEB Contributions *

Year Ended	(a) Contractually required contribution **	(b) Contributions in relation to the contractually required contribution	(a-b) Contribution deficiency (excess)	(c) Covered payroll	(b/c) Percenrage of covered payroll
December 31, 2018***	$ 66,536	$ 103,703	$ 37,167	$ 11,016,913	0.94%
March 31, 2018	109,862	70,390	39,472	15,368,318	0.46%

Notes to Required Supplementary Information:
* Schedule of Changes in Net OPEB Asset and Related Ratios and Schedule of OPEB contribution are presented in accordance with GASB Statement No. 75's reporting requirement. Fiscal year ended March 31, 2018 was the first year of implementation of GASB Statement No. 75, therefore only two years of information is shown. Fiscal year ended December 31, 2018 information only included nine months from April 1, 2018 to December 31, 2018.

** Based on the actuarial report

*** This line represents the nine month period ended December 31, 2018, as Home Forward changed its fiscal year end to December 31 effective April 1, 2018.

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

Schedule of Changes in Total OPEB Liability and Related Ratios *

	June 30, 2018	June 30, 2017
Beginnning of year	$ 1,415,327	$ 1,384,796
Benefit Payments	(66,832)	67,210
Service Cost	36,662	51,747
Interest on Total OPEB Liability	42,494	(58,362)
Change in Assumptions	(512,048)	(15,894)
Experience (Gain) / Loss	(15,116)	(14,170)
Total changes	(514,840)	30,531
End of year	$ 900,487	$ 1,415,327
Covered payroll**	$ 17,367,082	$ 17,227,380
Total liablity as a percentage of its covered payroll	5.19%	8.22%

Notes to Required Supplementary Information:

* Schedule of Changes in OPEB Liability and Related Ratios is presented in accordance with GASB Statement No. 75's reporting requirement. Fiscal year ended March 31, 2018 was the first year of implementation of GASB Statement No. 75, therefore only two years of information is shown. Fiscal year ended December 31, 2018 information only included nine months from April 1, 2018 to December 31, 2018.

** Based on the actuarial report

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OTHER SUPPLEMENTARY INFORMATION

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

	Grace Peck Terrace	Madrona	Rosenbaum Plaza	Unthank Plaza	Fenwick Apts	Helen Swindells	Dawson Park	Pearl Court	Gretchen Kafoury	St. Francis
ASSETS AND DEFERRED OUTFLOWS										
CURRENT ASSETS:										
Cash and cash equivalents	$ 4,203,883	$ 265,153	$ 2,318,148	$ 2,674,692	$ -	$ 35,757	$ 211,645	$ 663,681	$ 455,980	$ 351,854
Cash and cash equivalents - restricted	17,871	167,559	11,589	15,523	137,502	595,104	465,373	1,333,854	994,460	703,729
Accounts receivable, net	5,165	36,457	6,073	1,849	6,255	115	1,128	8,475	10,455	1,912
Prepaid expenses	3,128	2,954	5,513	3,721	1,422	23,574	7,611	17,151	6,724	23,265
	4,230,047	472,123	2,341,323	2,695,785	145,179	654,550	685,757	2,023,161	1,467,619	1,080,760
NON-CURRENT ASSETS:										
Due from partnerships, net	-	-	-	-	-	-	-	-	-	-
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-	-	-
Capital assets not being depreciated	157,489	579,600	53,544	68,201	292,240	432,880	138,456	952,468	533,869	1,016,855
Capital assets being depreciated, net	169,978	2,532,074	262,527	755,814	1,801,059	1,753,120	613,747	2,409,011	2,663,551	6,430,485
	327,467	3,111,674	316,071	824,015	2,093,299	2,186,000	752,203	3,361,479	3,197,420	7,447,340
TOTAL ASSETS	4,557,514	3,583,797	2,657,394	3,519,800	2,238,478	2,840,550	1,437,960	5,384,640	4,665,039	8,528,100
LIABILITIES AND NET POSITION										
CURRENT LIABILITIES:										
Accounts payable	11,090	6,885	6,426	4,990	29,850	23,728	16,027	79,579	13,421	18,368
Accrued interest payable	-	5,688	-	-	3,468	1,494,500	9,303	401,578	1,388,978	53,626
Other accrued liabilities	12,375	57	7,792	8,250	-	3,705	-	-	4,459	-
Unearned revenue	1,409	7,135	3,314	1,977	278	22,688	17,192	15,815	7,080	11,582
Deposits, payable from restricted assets	17,835	10,932	11,524	15,114	13,957	45,204	43,909	122,427	71,365	36,288
Current portion of notes and bonds payable	-	48,146	-	-	54,916	8,935	117,764	386,204	85,000	66,069
	42,709	78,843	29,056	30,331	102,469	1,598,760	204,195	1,005,603	1,570,303	185,933
NON-CURRENT LIABILITIES:										
Notes payable	-	1,195,889	-	-	2,352,593	2,133,877	356,106	532,145	2,664,000	8,954,016
Bonds payable	-	-	-	-	-	-	1,020,517	3,115,000	3,640,000	-
	-	1,195,889	-	-	2,352,593	2,133,877	1,376,623	3,647,145	6,304,000	8,954,016
TOTAL LIABILITIES BEFORE DEFERRED INFLOWS	42,709	1,274,732	29,056	30,331	2,455,062	3,732,637	1,580,818	4,652,748	7,874,303	9,139,949
Deferred inflows of resources, pension	-	-	-	-	-	-	-	-	-	-
Deferred inflows of resources, OPEB	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	42,709	1,274,732	29,056	30,331	2,455,062	3,732,637	1,580,818	4,652,748	7,874,303	9,139,949
NET POSITION	$ 4,514,805	$ 2,309,065	$ 2,628,338	$ 3,489,469	$ (216,584)	$ (892,087)	$ (142,858)	$ 731,892	$ (3,209,264)	$ (611,849)

(Continued)

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

	Ainsworth Court	Fairviews	Rockwood Station	Willow Tree	Ash Creek	Schiller Way	Peter Paulson	Kelly Place	Trouton Commercial	Commercial Space at Lloyd Housing
ASSETS AND DEFERRED OUTFLOWS										
CURRENT ASSETS:										
Cash and cash equivalents	$ 582,168	$ -	$ 1,005,194	$ 11,053	$ -	$ -	$ -	$ 101,726	$ -	$ 2,549,234
Cash and cash equivalents - restricted	592,604	1,775,292	956,093	193,209	109,227	80,180	273,782	110,507	-	-
Accounts receivable, net	1,569	9,142	3,290	2,123	243	3,775	4,672	1,374	483	-
Prepaid expenses	6,083	19,883	10,162	1,291	1,916	1,450	9,535	1,140	355	-
	1,182,424	1,804,317	1,974,739	207,676	111,386	85,405	287,989	214,747	838	2,549,234
NON-CURRENT ASSETS:										
Due from partnerships, net	-	-	-	-	-	-	-	-	-	-
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-	-	-
Capital assets not being depreciated	1,115,635	4,395,274	702,000	162,767	363,581	48,706	285,850	188,664	-	668,333
Capital assets being depreciated, net	1,471,998	10,189,035	4,711,021	1,225,393	1,205,544	1,199,170	1,957,364	557,416	5,367	-
	2,587,633	14,584,309	5,413,021	1,388,160	1,569,125	1,247,876	2,243,214	746,080	5,367	668,333
TOTAL ASSETS	3,770,057	16,388,626	7,387,760	1,595,836	1,680,511	1,333,281	2,531,203	960,827	6,205	3,217,567
LIABILITIES AND NET POSITION										
CURRENT LIABILITIES:										
Accounts payable	18,513	715,145	15,488	3,624	50,882	380,194	19,310	2,027	15,417	190,418
Accrued interest payable	8,505	32,217	13,534	2,085	5,806	1,685	1,740,882	1,121	-	-
Other accrued liabilities	-	(1,495)	-	-	-	-	692	-	-	-
Unearned revenue	16,035	58,145	26,548	4,375	4	674	4,507	2,024	-	-
Deposits, payable from restricted assets	55,453	226,346	110,579	4,638	12,272	8,806	41,920	5,400	-	-
Current portion of notes and bonds payable	92,339	219,241	103,723	22,112	79,791	55,887	-	23,794	-	-
	190,845	1,249,599	269,872	36,834	148,755	447,246	1,807,311	34,366	15,417	190,418
NON-CURRENT LIABILITIES:										
Notes payable	3,204,341	10,579,753	4,352,615	704,888	1,628,531	933,244	1,960,936	606,948	-	-
Bonds payable	-	-	-	-	-	-	-	-	-	-
	3,204,341	10,579,753	4,352,615	704,888	1,628,531	933,244	1,960,936	606,948	-	-
TOTAL LIABILITIES BEFORE DEFERRED INFLOWS	3,395,186	11,829,352	4,622,487	741,722	1,777,286	1,380,490	3,768,247	641,314	15,417	190,418
Deferred inflows of resources, pension	-	-	-	-	-	-	-	-	-	-
Deferred inflows of resources, OPEB	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	3,395,186	11,829,352	4,622,487	741,722	1,777,286	1,380,490	3,768,247	641,314	15,417	190,418
NET POSITION	$ 374,871	$ 4,559,274	$ 2,765,273	$ 854,114	$ (96,775)	$ (47,209)	$ (1,237,044)	$ 319,513	$ (9,212)	$ 3,027,149

HOME FORWARD

COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING

As of December 31, 2018

	Yards at Union Station	Rockwood Landing	Hamilton West	Sequoia Square	Interstate Crossing	Lovejoy Station	Baldwin Interstate	Fountain Place	Totals
ASSETS AND DEFERRED OUTFLOWS									
CURRENT ASSETS:									
Cash and cash equivalents	$ 283,006	$ 48,826	$ 264,633	$ 11,340	$ -	$ 921,025	$ 53,507	$ 42,920	$ 17,055,425
Cash and cash equivalents - restricted	1,085,322	85,617	1,215,791	197,333	58,443	1,579,855	4,730	673,322	13,433,871
Accounts receivable, net	5,318	3,784	5,957	3,059	645	19,941	-	14,730	196,711
Prepaid expenses	17,636	3,487	28,699	3,358	1,248	30,843	4,509	6,150	805,692
	1,391,282	141,714	1,515,080	215,090	60,336	2,551,664	62,746	737,122	31,491,699
NON-CURRENT ASSETS:									
Due from partnerships, net	-	-	-	-	-	-	-	-	182,997
Notes receivable and accrued interest receivable	3,610	-	-	-	-	-	-	-	3,610
Capital assets not being depreciated	671,000	225,000	406,124	400,390	90,000	1,997,915	931,700	958,489	17,837,030
Capital assets being depreciated, net	2,791,576	1,473,297	3,858,626	1,983,428	914,431	8,765,280	939,496	3,074,820	65,714,628
	3,466,186	1,698,297	4,264,750	2,383,818	1,004,431	10,763,195	1,871,196	4,033,309	83,738,265
TOTAL ASSETS	4,857,468	1,840,011	5,779,830	2,598,908	1,064,767	13,314,859	1,933,942	4,770,431	115,229,964
LIABILITIES AND NET POSITION									
CURRENT LIABILITIES:									
Accounts payable	43,195	8,910	24,057	18,876	183,039	41,873	1,367	14,068	4,780,043
Accrued interest payable	32,396	1,351	66,758	89,207	1,500	133,860	-	84,042	5,572,090
Other accrued liabilities	-	4,310	-	664	1,763	-	-	-	1,921,352
Unearned revenue	10,900	32	4,622	1,432	724	20,820	-	3,933	243,276
Deposits, payable from restricted assets	112,887	15,418	79,200	18,848	1,400	156,624	4,730	18,511	1,261,587
Current portion of notes and bonds payable	371,464	32,138	114,966	54,664	18,983	686,076	-	90,016	2,732,228
	570,842	62,159	289,603	183,691	207,409	1,039,253	6,097	210,570	16,510,576
NON-CURRENT LIABILITIES:									
Notes payable	805,287	510,705	2,615,181	1,533,630	1,309,406	2,639,702	-	2,725,500	54,299,293
Bonds payable	3,660,000	-	3,135,000	-	-	8,375,023	-	2,259,127	25,204,667
	4,465,287	510,705	5,750,181	1,533,630	1,309,406	11,014,725	-	4,984,627	79,503,960
TOTAL LIABILITIES BEFORE DEFERRED INFLOWS	5,036,129	572,864	6,039,784	1,717,321	1,516,815	12,053,978	6,097	5,195,197	96,014,536
Deferred inflows of resources, pension	-	-	-	-	-	-	-	-	63,292
Deferred inflows of resources, OPEB	-	-	-	-	-	-	-	-	26,825
TOTAL LIABILITIES	5,036,129	572,864	6,039,784	1,717,321	1,516,815	12,053,978	6,097	5,195,197	96,104,653
NET POSITION	$ (178,661)	$ 1,267,147	$ (259,954)	$ 881,587	$ (452,048)	$ 1,260,881	$ 1,927,845	$ (424,766)	$ 19,125,311

(Continued)

HOME FORWARD

COMBINING SCHEDULE OF REVENUS, EXPENSES

AND CHANGES IN NET POSITION - AFFORDABLE HOUSING

For the Nine Months Ended December 31, 2018

	Grace Peck Terrace	Madrona	Rosenbaum Plaza	Unthank Plaza	Fenwick Apts	Helen Swindells	Dawson Park	Pearl Court	Gretchen Kafoury	St. Francis
OPERATING REVENUES										
Dwelling rental	$ 181,876	$ 303,834	$ 151,124	$ 128,336	$ 210,049	$ 384,480	$ 476,366	$ 1,265,829	$ 818,298	$ 627,240
Non-dwelling rental	22,923	259	51,813	1,287	-	142,086	1,354	15,362	6,750	102,988
HUD operating subsidies	764,221	149,130	500,217	713,844	-	-	-	-	-	-
HUD grants	-	-	-	-	-	1,000	-	-	-	-
Other	7,599	14,030	9,245	6,968	9,502	53,655	14,853	54,788	10,867	14,086
	976,619	467,253	712,399	850,435	219,551	581,221	492,573	1,335,979	835,915	744,314
OPERATING EXPENSES										
Housing assistance payments	720	-	-	1,336	-	-	-	-	-	-
Administration	192,039	51,378	225,894	192,832	33,843	193,879	92,433	254,671	257,117	229,260
Program expense	-	31,717	-	-	-	6,135	-	4,209	-	-
Tenant services	-	704	-	-	40	5,400	-	-	-	-
Utilities	71,637	39,376	109,839	76,232	29,549	80,737	58,534	142,653	96,412	113,791
Maintenance	238,950	167,746	151,140	286,797	30,131	356,814	83,220	308,708	318,148	120,078
Depreciation	15,573	135,712	37,492	90,690	55,657	86,114	111,251	303,637	227,136	145,086
General and other	36,907	36,401	30,853	27,269	6,542	45,801	14,720	76,911	32,221	57,356
	555,826	463,034	555,218	675,156	155,762	774,880	360,158	1,090,789	931,034	665,571
OPERATING INCOME (LOSS)	420,793	4,219	157,181	175,279	63,789	(193,659)	132,415	245,190	(95,119)	78,743
NONOPERATING REVENUES (EXPENSES)										
Investment income	2,172	45	1,249	1,241	242	2,999	5,277	18,804	5,525	1,008
Interest expense	-	(51,109)	-	-	(34,256)	(49,661)	(40,839)	(121,292)	(174,289)	(101,132)
Investment in partnership valuation charge	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	-	(6,644)
	2,172	(51,064)	1,249	1,241	(34,014)	(46,662)	(35,562)	(102,488)	(168,764)	(106,768)
CAPITAL CONTRIBUTIONS										
Other nonoperating contributions	(312,000)	-	(62,001)	(155,000)	-	-	-	(110,049)	-	(24,764)
INCREASE (DECREASE) IN NET POSITION	110,965	(46,845)	96,429	21,520	29,775	(240,321)	96,853	32,653	(263,883)	(52,789)
NET POSITION-beginning of year	4,403,840	2,355,910	2,531,909	3,467,949	(246,359)	(651,766)	(239,711)	699,239	(2,945,381)	(559,060)
NET POSITION-End of year	$ 4,514,805	$ 2,309,065	$ 2,628,338	$ 3,489,469	$ (216,584)	$ (892,087)	$ (142,858)	$ 731,892	$ (3,209,264)	$ (611,849)

(continued)

HOME FORWARD

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

For the Nine Months Ended December 31, 2018

	Ainsworth Court	Fairview	Rockwood Station	Willow Tree	Ash Creek	Schiller Way	Peter Paulson	Kelly Place	Trouton Commercial	Commercial Space at Lloyd Housing
OPERATING REVENUES										
Dwelling rental	$ 603,179	$ 2,815,714	$ 1,615,709	$ 125,108	$ 296,797	$ 155,034	$ 441,124	$ 146,937	$ -	$ -
Non-dwelling rental	16,475	23,611	929	7,605	-	40,524	-	-	21,192	-
HUD operating subsidies	-	-	-	-	-	5,889	-	-	-	-
HUD grants	-	-	-	-	-	-	-	-	-	-
Other	13,057	72,018	54,947	9,806	1,065	1,306	11,917	564	27,535	-
	632,711	2,911,343	1,671,585	142,519	297,862	202,753	453,041	147,501	48,727	-
OPERATING EXPENSES										
Housing assistance payments	-	924	-	-	-	-	-	-	-	-
Administration	82,940	276,551	255,881	49,568	37,591	29,733	196,814	26,259	6,616	-
Program expense	-	-	-	-	-	-	-	-	-	-
Tenant services	-	555	-	-	-	-	-	-	-	-
Utilities	66,328	274,347	107,728	20,578	56,213	53,019	78,384	23,131	29,480	-
Maintenance	94,250	725,322	447,790	43,010	35,096	47,411	166,561	59,613	22,085	-
Depreciation	117,756	540,067	323,765	98,931	86,627	47,928	93,977	59,446	340	-
General and other	14,847	177,460	102,251	14,763	5,900	6,500	28,847	9,220	1,583	-
	376,121	1,995,226	1,237,415	226,850	221,427	184,591	564,583	177,669	60,104	-
OPERATING INCOME (LOSS)	256,590	916,117	434,170	(84,331)	76,435	18,162	(111,542)	(30,168)	(11,377)	-
NONOPERATING REVENUES (EXPENSES)										
Investment income	2,334	24,205	14,380	246	183	20	666	99	-	-
Interest expense	(78,513)	(291,915)	(122,827)	(18,797)	(52,257)	(15,206)	(61,807)	(10,373)	-	-
Investment in partnership valuation charge	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	(8,852)	-	-	-	-	-	-	-	-
	(76,179)	(276,562)	(108,447)	(18,551)	(52,074)	(15,186)	(61,141)	(10,274)	-	-
CAPITAL CONTRIBUTIONS										
Other nonoperating contributions	(177,545)	-	-	-	-	-	70,358	-	-	-
INCREASE (DECREASE) IN NET POSITION	2,866	639,555	325,723	(102,882)	24,361	2,976	(102,325)	(40,442)	(11,377)	-
NET POSITION-beginning of year	372,005	3,919,719	2,439,550	956,996	(121,136)	(50,185)	(1,134,719)	359,955	2,165	3,027,149
NET POSITION-End of year	$ 374,871	$ 4,559,274	$ 2,765,273	$ 854,114	$ (96,775)	$ (47,209)	$ (1,237,044)	$ 319,513	$ (9,212)	$ 3,027,149

(continued)

HOME FORWARD

COMBINING SCHEDULE OF REVENUS, EXPENSES
AND CHANGES IN NET POSITION - AFFORDABLE HOUSING
For the Nine Months Ended December 31, 2018

	Yards at Union Station	Rockwood Landing	Hamilton West	Sequoia Square	Interstate Crossing	Lovejoy Station	Baldwin Interstate	Fountain Place	Total
OPERATING REVENUES									
Dwelling rental	$ 1,069,943	$ 203,863	$ 847,209	$ 397,401	$ 107,668	$ 1,376,237	$ 60,626	$ 573,725	15,383,706
Non-dwelling rental	1,778	70	32,821	-	-	210,782	-	-	700,609
HUD operating subsidies	-	668	-	-	-	-	-	-	2,133,969
HUD grants	-	-	-	-	-	-	-	-	1,000
Other	43,586	11,925	46,787	14,939	5,462	84,715	555	14,710	1,088,756
	1,115,307	216,526	926,817	412,340	113,130	1,671,734	61,181	588,435	19,308,040
OPERATING EXPENSES									
Housing assistance payments	-	-	-	-	-	-	-	-	2,980
Administration	239,337	46,758	278,509	89,398	19,545	252,380	11,790	118,351	5,035,224
Program expense	7,195	-	-	-	-	5,079	-	2,130	593,754
Tenant services	-	-	-	-	239	-	-	-	6,939
Utilities	118,236	47,673	107,102	84,324	14,307	133,802	6,222	59,643	2,099,280
Maintenance	227,356	63,126	360,947	106,610	17,382	265,312	9,356	679,202	5,432,840
Depreciation	313,527	109,869	148,094	45,349	32,446	191,939	18,624	66,338	3,503,371
General and other	56,541	10,783	88,949	16,834	7,237	99,741	7,819	33,610	1,056,206
	962,192	278,209	983,601	342,515	91,156	948,253	53,811	959,274	17,730,594
OPERATING INCOME (LOSS)	153,115	(61,683)	(56,784)	69,825	21,974	723,481	7,370	(370,839)	1,577,446
NONOPERATING REVENUES (EXPENSES)									
Investment income	18,239	56	5,340	552	15	34,583	9	4,708	144,197
Interest expense	(150,500)	(12,503)	(112,097)	(51,269)	(13,669)	(264,701)	-	(126,511)	(1,955,523)
Investment in partnership valuation charge	-	-	-	-	-	-	-	(20,824)	(20,824)
Gain (loss) on sale of assets	(2,632)	(71,567)	-	-	-	-	-	-	(89,695)
	(134,893)	(84,014)	(106,757)	(50,717)	(13,654)	(230,118)	9	(142,627)	(1,921,845)
CAPITAL CONTRIBUTIONS									
Other nonoperating contributions	-	397,711	(80,306)	-	-	(81,603)	-	-	(705,784)
INCREASE (DECREASE) IN NET POSITION	18,222	252,014	(243,847)	19,108	8,320	411,760	7,379	(513,466)	(1,050,183)
NET POSITION-beginning of year	(196,883)	1,015,133	(16,107)	862,479	(460,368)	849,121	1,920,466	88,700	20,527,974
NET POSITION-End of year	$ (178,661)	$ 1,267,147	$ (259,954)	$ 881,587	$ (452,048)	$ 1,260,881	$ 1,927,845	$ (424,766)	$ 19,477,791

HOME FORWARD

COMBINING SCHEDULE OF NET POSITION - SPECIAL NEEDS HOUSING

As of December 31, 2018

	Carriage Hill	Project Open Door	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 5,993	$ 73,552	$ 79,545
Cash and cash equivalents-restricted	10,874	65,941	76,815
Accounts receivable, net	-	5,942	5,942
Prepaid expenses	-	735	735
	16,867	146,170	163,037
NONCURRENT ASSETS:			
Capital assets not being depreciated	75,424	71,104	146,528
Capital assets being depreciated, net	251,120	349,245	600,365
	326,544	420,349	746,893
TOTAL ASSETS	343,411	566,519	909,930
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	9,913	1,533	11,446
Accrued interest payable	74	139	213
Other accrued liabilities	1,117	378	1,495
Unearned revenue	1,094	2,640	3,734
Deposits, payable from restricted assets	500	2,032	2,532
Current portion of bonds payable-partnerships	1,728	16,696	18,424
	14,426	23,418	37,844
NONCURRENT LIABILITIES:			
Notes payable	206,983	138,236	345,219
Total liabilities	221,409	161,654	383,063
NET POSITION	$ 122,002	$ 404,865	$ 526,867

HOME FORWARD

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

For the Nine Months Ended December 31, 2018

	Carriage Hill	Project Open Door	Total
OPERATING REVENUES			
Dwelling rental	$ 18,932	$ 53,005	$ 71,937
Other	35	3,088	3,123
	18,967	56,093	75,060
OPERATING EXPENSES			
Administration	138	586	724
Program expense	4,099	8,867	12,966
Utilities	8,291	7,799	16,090
Maintenance	15,624	16,226	31,850
Depreciation	9,292	19,774	29,066
General and other	2,236	-	2,236
	39,680	53,252	92,932
OPERATING INCOME (LOSS)	(20,713)	2,841	(17,872)
NON-OPERATING REVENUE (EXPENSE)			
Investment income	227	426	653
Interest expense	(998)	(1,214)	(2,212)
	(771)	(788)	(1,559)
INCREASE (DECREASE) IN NET POSITION	(21,484)	2,053	(19,431)
NET POSITION-Beginning of year	143,486	402,812	546,298
NET POSITION-End of year	$ 122,002	$ 404,865	$ 526,867

HOME FORWARD

SCHEDULE OF CAPITAL FUND PROGRAM

As of December 31, 2018

	Amount Approved	Amount Expended
OR16P0002501-13 (Capital Fund Program)	$ 3,491,921	$ 3,491,921
OR016P002502-15 (Capital Fund Program)	161,490	161,490
OR016P002502-16 (Capital Fund Program)	174,408	174,408

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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 nine months ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Home Forward's basic financial statements, and have issued our report thereon dated June 12, 2019. 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 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).

Macias Gini & O'Connell LLP
4675 MacArthur Court, Suite 600
Newport Beach, CA 92660

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

OAR 162-10-0230 Internal Control

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

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

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

Purpose of this Report

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

Linda Hurley

Linda Hurley, Partner
for Macias Gini & O'Connell LLP
Newport Beach, California
June 12, 2019