

# Home Forward

(Portland, Oregon)

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED MARCH 31, 2012

## **Home Forward**

**Basic Financial Statements and Independent Auditor's Report  
for the Years Ended March 31, 2012 and 2011 and  
Supplementary Information for the Year Ended March 31, 2012**

# HOME FORWARD

## TABLE OF CONTENTS

As of March 31, 2012

---

### CONTENTS

	<b>Page</b>
BOARD OF COMMISSIONERS, MANAGEMENT AND GENERAL COUNSEL	i
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS – Required Supplementary Information (Unaudited)	3
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	17
Statements of Revenues, Expenses and Changes in Net Assets	19
Statements of Cash Flows	20
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited):	
Schedule of Funding Progress	63
OTHER SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED MARCH 31, 2012:	
Combining Schedule of Net Assets/(Deficit)—Affordable Housing	65
Combining Schedule of Revenues, Expenses and Changes in Net Assets—Affordable Housing	71
Combining Schedule of Net Assets/(Deficit)—Special Needs Housing	74
Combining Schedule of Revenues, Expenses and Changes in Net Assets—Special Needs Housing	75
INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS	76
Summary Schedule of Prior Audit Finding	78

---

# HOME FORWARD

## BOARD OF COMMISSIONERS, MANAGEMENT AND GENERAL COUNSEL

As of March 31, 2012

---

### **BOARD OF COMMISSIONERS**

Ms. Harriet Cormack  
Chair

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

Mr. David Widmark  
Vice Chair

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

Mr. Jim Smith  
Treasurer

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

Mr. Lee Moore  
Chair Emeritus

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

Ms. Gretchen Kafoury  
Commissioner

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

Mr. David Kelleher  
Commissioner

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

Mr. Brian Lessler  
Commissioner

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

Ms. Benita Legarza  
Commissioner

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

Ms. Shelli Romero  
Commissioner

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

### **ADMINISTRATIVE OFFICER**

Mr. Steven D. Rudman  
Executive Director and Secretary/Treasurer

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

### **GENERAL COUNSEL**

Mr. Steve Abel

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

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

### Independent Auditor's Report

We have audited the accompanying basic 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 years ended March 31, 2012 and 2011, which collectively comprise Home Forward's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Home Forward's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the aggregate discretely presented component units of Home Forward. Those financial statements, except for the statement of revenues, expenses and changes in net assets for the year ended December 31, 2011 and the financial statements as of and for the year ended December 31, 2010 of the RAC Housing Limited Partnership, were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented components units, except for the statement of revenues, expenses and changes in net assets for the year ended December 31, 2011 and the financial statements as of and for the year ended December 31, 2010 of the RAC Housing Limited Partnership, are based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audits 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 of material misstatement. The financial statements of the aggregate discretely presented component units, except for the Gateway Park Limited Partnership, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Home Forward's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions.

The statement of revenues, expenses and changes in net assets for the year ended December 31, 2011 and the financial statements as of and for the year ended December 31, 2010 of the RAC Housing Limited Partnership, a discretely presented component unit, have not been audited, and we were not engaged to audit the RAC Housing Limited Partnership financial statements as part of our audits of Home Forward's basic financial statements. However, the RAC Housing Limited Partnership's financial statements for the period from inception at March 19, 2008 to December 31, 2011 were audited by other auditors. RAC Housing Limited Partnership's financial activities are included in Home Forward's basic financial statements as a discretely presented component unit and represent 15 percent of assets, 16 percent of net assets and 17 percent of revenues/contributions for the year ended December 31, 2011 and represent 15 percent of assets, 12 percent of net assets and 17 percent of revenues/contributions for the year ended December 31, 2010 of Home Forward's aggregate discretely presented component units.

In our opinion, based on the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had RAC Housing Limited Partnership's financial statements been audited, the financial statements referred to previously present fairly, in all material respects, the financial position of the aggregate discretely presented component units for Home Forward as of March 31, 2012 and 2011, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activity (primary government) for Home Forward, as of March 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012 on our consideration of Home Forward's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended March 31, 2012. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress, 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 Standards Board, 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 audits 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Home Forward's basic financial statements as a whole. 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 has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



David Bullock, Partner  
for Macias Gini & O'Connell LLP  
Walnut Creek, California  
September 27, 2012

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

This section of Home Forward's annual financial report presents Management's Discussion and Analysis of the Home Forward's financial performance during the years ended on March 31, 2012 and 2011. 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 – Management's Discussion and Analysis (this section), the basic financial statements, and 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. 14, the basic financial statements include its blended component unit, New Columbia Community Campus Corporation (N4C), and its 20 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 Assets 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 Assets, regardless of when cash is received or paid.

**Management's Discussion and Analysis – For the Year Ended March 31, 2012**

**Significant Developments**

*Home Forward, a new name for the Housing Authority of Portland* – On May 18, 2011, the Housing Authority of Portland changed its legal name to Home Forward. This new name and accompanying new logo allow for a better understanding of the goals of the organization. By providing the essentials of a home, Home Forward enables individuals and families of Multnomah County to move forward in life by providing hope, access, and the potential for a better tomorrow. The Housing Authority of Portland is now a registered business name of Home Forward.

*American Recovery and Reinvestment Act of 2009 funding* - The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009. The Recovery Act includes \$13.6 billion for projects and programs administered by the Department of Housing and Urban Development (HUD). In prior years, Home Forward received and expended \$6.3 million of additional capital grant funds and \$0.2 million in competitive public housing ARRA funding for ADA improvements. In 2011, Home Forward was awarded \$3.3 million of competitive ARRA funding from HUD for gap financing for the Bud Clark Commons project (see below) and these funds were expended in fiscal year 2012.

Home Forward is serving as a sub-grantee for the City of Portland for the Homelessness Prevention and Rapid Rehousing Program (HPRP). HPRP is funded by HUD's ARRA program. The pass-through award from the City of Portland to Home Forward is approximately \$4.0 million. In fiscal year 2012, Home Forward expended \$0.4 million in HPRP funds bringing grant utilization-to-date to \$3.9 million.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

***RAC Housing Limited Partnership (Bud Clark Commons)*** – Home Forward, in collaboration with the City of Portland, Portland Housing Bureau and Transition Projects, Inc., has built an innovative facility in downtown Portland supporting the City of Portland's 10 year plan to end homelessness. Bud Clark Commons combines a day center that can serve up to 200 people, a 90-bed men's shelter providing sleeping and living areas, and 130 affordable studio units. This \$47 million project was completed in July 2011. The facility is comprised of two units, the shelter unit is owned by Home Forward and the housing unit is owned by RAC Housing Limited Partnership. Home Forward is the general partner.

***Scattered Site Sales*** – During fiscal year 2008, Home Forward submitted a disposition application to HUD for the sale of 158 public housing scattered sites properties. These properties are primarily single family residences and these sales are part of the Home Forward's Public Housing Preservation Initiative, with sale proceeds planned for reinvestment in current and replacement low income housing units. During fiscal year 2012, 18 units were sold and 7 units were placed back into service. There is one remaining unit of the original 158 that is anticipated to be sold in April 2013.

***Transfer of Tax Credit Limited Partnership Interests*** - During fiscal year 2012, Home Forward acquired the remaining interest in the Kelly Place Limited Partnership, and became sole owner of this low income housing properties. This tax credit partnership was originally formed by Home Forward under Section 42 of the Internal Revenue Code.

***Stephens Creek Crossing*** – On May 23, 2011, Home Forward was awarded an \$18.5 million HOPE VI Revitalization Grant from the U.S. Department of Housing and Urban Development (HUD) to implement a comprehensive redevelopment of the Hillsdale Terrace public housing property. Hillsdale Terrace, comprised of 60 three-bedroom public housing units, will be demolished and replaced with 122 units of varying bedroom sizes. The new property will be known as Stephens Creek Crossing and will consist of a community center owned by Home Forward as well as housing owned by two limited partnership entities, for which Home Forward will be the general partner.

In addition to the 122 units of housing, Stephens Creek Crossing, there will be seven off-site homes, developed in partnership with Habitat for Humanity, and the homes will be available for first-time homeowners. The redevelopment will incorporate sustainable and green building features, a community garden/urban farm space, a community center for residents and neighbors, and more open space and play area. The total development is estimated at \$47.3 million and Home Forward anticipates providing \$7.0 million in proceeds to the project. \$3.3 million has been expended as of March 31, 2012.

**Financial Highlights**

Home Forward's Statements of Net Assets continued to reflect favorable liquidity and growth in net assets during 2012. Specifically:

- Total assets and deferred outflows decreased \$10.8 million from \$366.0 million at March 31, 2011 to \$355.2 million at March 31, 2012 primarily due to the decrease in notes receivable – partnership of \$24.1 million, offset by an increase in investments in partnerships of \$13.1 million.
- Total liabilities decreased \$19.6 million from \$161.7 million at March 31, 2011 to \$142.1 million at March 31, 2012 primarily due to a reduction of bonds payable – partnerships of \$24.1 million, offset by an increase in notes payable of \$2.8 million.
- Total operating revenues decreased \$2.9 million to \$109.3 million primarily due to a \$3.8 million decrease in development fee revenue in FY 2012 and a decrease of ARRA revenue of \$2.4 million. This was offset by an increase in HUD grants of \$1.0 million and an increase in state, local and other grants of \$1.7 million.
- Total operating expenses of \$119.3 million increased \$8.6 million from the prior year. The increase is primarily due to \$2.2 million increase in housing assistance payments, and increases in two non-cash expenses - an impairment charge of \$3.6 million and \$0.9 in higher depreciation expense.



**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

- Operating results for 2012 yielded an operating loss of \$10.1 million compared to operating income of \$1.5 million for 2011. The operating loss in 2012 includes depreciation expense of \$8.1 million and an impairment charge of \$3.6 million, both non-cash expenses.
- Net assets grew \$8.8 million to \$213.1 million at March 31, 2012. This growth was primarily due to capital contributions of \$21.9 million, of which \$14.7 million related to funds used for the completion of the Bud Clark Commons, offset by the operating loss of \$10.1 million.

**Condensed Statement of Net Assets**

The following tables show a summary of net assets and net assets by type at March 31, 2012 and 2011:

(in thousands of dollars)	<u>2012</u>	<u>2011</u> <u>(reclassified)</u>	<u>Increase</u> <u>(Decrease)</u>
<b>Assets and Deferred Outflows</b>			
Current assets	\$ 48,257	\$ 64,374	\$ (16,117)
Non-current assets	162,277	155,719	6,558
Capital assets	142,556	143,828	(1,272)
Assets available for sale	<u>30</u>	<u>787</u>	<u>(757)</u>
Total assets before deferred outflows	353,120	364,708	(11,588)
Deferred outflows	2,056	1,287	769
Total assets and deferred outflows	<u>\$ 355,176</u>	<u>\$ 365,995</u>	<u>\$ (10,819)</u>
<b>Liabilities</b>			
Current liabilities	\$ 21,854	\$ 34,382	\$ (12,528)
Non-current liabilities	118,142	126,017	(7,875)
Derivative instruments	<u>2,056</u>	<u>1,287</u>	<u>769</u>
Total liabilities	<u>142,052</u>	<u>161,686</u>	<u>(19,634)</u>
<b>Net Assets</b>			
Invested in capital assets—net of related debt	61,869	66,546	(4,677)
Restricted	21,045	26,777	(5,732)
Unrestricted	<u>130,210</u>	<u>110,986</u>	<u>19,224</u>
Total Net assets	<u>213,124</u>	<u>204,309</u>	<u>8,815</u>
Total liabilities and net assets	<u>\$ 355,176</u>	<u>\$ 365,995</u>	<u>\$ (10,819)</u>

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

**Year-end Financial Position**

Current assets decreased in 2012 from \$64.4 million to \$48.3 million. Current portion of notes receivable decreased \$23.2 million due to the repayment of construction financing provided to the RAC Housing Limited Partnership. Net accounts receivable decreased \$4.2 million due to collection of outstanding draws from funders for the Bud Clark Commons project. Cash and cash equivalents (including restricted categories) increased by \$10.3 million, mainly due to the sale of long term investments during the current year.

Non-current assets increased \$6.6 million, mainly due to the increase in investments in partnership of \$13.1 million for the RAC Housing Limited Partnership, the \$11.5 million increase in notes and accrued interest receivable related to the Martha Washington and Bud Clark Commons projects, offset by a \$5.3 million decrease in Due from Partnerships, net, and an \$11.2 million reduction of long term investments.

Capital assets decreased \$1.2 million. The decrease includes the depreciation of \$8.1 million, the disposal of Hillsdale Terrace property of \$2.8 million, and the \$3.6 million impairment of two affordable housing properties requiring repairs for structural defects. Offsetting the decrease were increases in public housing capital assets of \$3.2 million, \$3.5 million related to the Bud Clark Commons shelter, a \$1.5 million rehab at Ainsworth Court and the \$1.2 million of capital assets from Kelly Place acquired at the end of the tax compliance period under Section 42 of the Internal Revenue Code. Additionally, work in progress at Stephens Creek Crossing totaled \$1.3 million and will be transferred to two tax credit partnerships during fiscal year 2013.

Assets available for sale decreased \$0.8 million in 2012. During 2012, Home Forward sold 18 scattered sites properties and placed 7 scattered sites, previously considered as assets available for sale, back into service.

Current liabilities decreased \$12.5 million during the year, primarily due to the \$23.2 million decrease in current portion of bonds payable – partnership for the retirement of RAC Housing Limited Partnership construction bonds payable in fiscal year 2012. Offsetting this decrease, the current portion of notes payable increased \$8.9 million primarily due to the \$8.8 million note due in October 2012 related to N4C.

Non-current liabilities decreased by \$7.9 million during 2012. This decrease is primarily the result of the reclassification to current liabilities of \$8.8 million of notes payable for N4C offset by the issuance of \$2.4 million of new notes issued for Ainsworth Court and Madrona Apartments.

Net assets at March 31, 2012 were \$213.1 million, an increase of \$8.8 million over 2011. This increase mainly resulted from \$21.9 million in capital contributions from HUD, the City of Portland, Multnomah County and other sources in support of development activities offset by fiscal year 2012 loss before capital contributions of \$13.1 million.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

**Notes and Bonds Payable**

At March 31, 2012, Home Forward \$80.7 million of notes and bonds payable outstanding (excluding notes payable—partnerships), an increase of \$1.8 million over the prior year. More detailed information about Home Forward's capital debt is presented in Notes 11 and 12 to the financial statements.

(in thousands of dollars)	<u>2012</u>	<u>2011</u> <u>(reclassified)</u>	<u>Increase</u> <u>(Decrease)</u>
Current portion of notes and bonds payable	\$ 10,754	\$ 1,854	\$ 8,900
Notes payable	51,508	57,553	(6,045)
Bonds payable	<u>18,424</u>	<u>19,460</u>	<u>(1,036)</u>
Total notes and bonds payable	<u>\$ 80,686</u>	<u>\$ 78,867</u>	<u>\$ 1,819</u>

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

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

**Results of Operations – Year ended March 31, 2012 compared to Year Ended March 31, 2011**

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

(in thousands of dollars)	<u>2012</u>	<u>2011 (restated)</u>	<u>Increase (Decrease)</u>
<b>Operating revenues</b>			
Rental revenue	\$ 14,077	\$ 13,596	\$ 481
HUD subsidies and grants	86,198	85,195	1,003
ARRA revenue	365	2,780	(2,415)
Development fee revenue	95	3,929	(3,834)
State, local and other grants	3,741	2,026	1,715
Other	4,777	4,641	136
	<u>109,253</u>	<u>112,167</u>	<u>(2,914)</u>
<b>Operating expenses</b>			
Housing assistance payments	67,786	65,583	2,203
Administration	21,028	20,352	676
Tenant services	4,174	3,544	630
Utilities	4,182	4,120	62
Maintenance	9,274	8,995	279
Depreciation	8,132	7,211	921
Other	1,101	876	225
Impairment charge	3,641	-	3,641
	<u>119,318</u>	<u>110,681</u>	<u>8,637</u>
<b>Operating income/(loss)</b>	<u>(10,065)</u>	<u>1,486</u>	<u>(11,551)</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	563	547	16
Interest expense	(3,381)	(3,469)	88
Investment in partnership valuation charge	(37)	(386)	349
Amortization	(575)	(252)	(323)
Loss on sale of capital assets	(1,378)	(595)	(783)
Gain on sale of assets available for sale	1,797	4,656	(2,859)
	<u>(3,011)</u>	<u>501</u>	<u>(3,512)</u>
<b>Income (Loss) before Capital Contributions</b>	<u>(13,076)</u>	<u>1,987</u>	<u>(15,063)</u>
<b>Capital Contributions</b>			
HUD non-operating contributions	2,889	4,535	(1,646)
Other non-operating contributions	15,724	12,047	3,677
ARRA non-operating contributions	3,278	1,918	1,360
	<u>21,891</u>	<u>18,500</u>	<u>3,391</u>
<b>Increase in Net Assets</b>	<u>8,815</u>	<u>20,487</u>	<u>(11,672)</u>
<b>Net Assets—Beginning of year (as restated)</b>	<u>204,309</u>	<u>183,822</u>	<u>20,487</u>
<b>Net Assets—End of year</b>	<u>\$ 213,124</u>	<u>\$ 204,309</u>	<u>\$ 8,815</u>

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

Fiscal year 2012 generated an operating loss of \$10.1 million. This result is an \$11.6 million decrease in operating income from fiscal year 2011. Total operating revenues were lower by \$2.9 million while operating expenses increased by \$8.6 million.

Operating revenues of \$109.3 million decreased \$2.9 million from fiscal year 2011. Development fee revenue decreased \$3.8 million due to activity associated with the Resource Access Center project earned in 2011. Additionally, there was a \$2.4 million decrease in ARRA revenue, as that program was nearly completed by the middle of 2012. These decreases were offset by a \$1.7 million increase in State, local and other grants, to support local rent assistance programs and \$1.0 million increase in HUD grants to support shelter plus care program and the Hope VI redevelopment at Stephens Creek Crossing.

Operating expenses increased \$8.6 million to \$119.3 million in 2012. This was mainly due to \$3.6 million impairment of capital assets due to identified structural defects. These defects are being repaired, and that work will be completed during 2013. Additionally, housing assistance payments increased \$2.2 million. Also, depreciation expense increased \$0.9 million related to capital improvements at various public and affordable housing properties.

Nonoperating revenues (expenses) netted \$3.0 million of expenses in 2012, a decrease of \$3.5 million. This was due mainly to lower gain on sale of assets as 18 scattered sites sold in 2012 compared to 26 sold in 2011 and a \$1.4 million loss on sale and disposal of capital assets, which was \$0.8 million worse than in 2011.

During 2012, capital contributions from HUD and ARRA non-operating funds (also from HUD) were \$6.2 million for 2012 compared to \$6.5 million in 2011. Other capital contributions of \$15.7 million included \$11.4 million in funds from the City of Portland for the RAC Housing Limited Partnership project and \$3.5 million of funds for the Bud Clark Commons project.

\*\*\*\*\*

**Management's Discussion and Analysis – For the Year Ended March 31, 2011**

During fiscal year 2011, Home Forward implemented GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*. This Statement, effective for financial statements of period beginning after June 15, 2009, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments and requires the fair value of derivative instrument arrangements be reported in the financial statements. This resulted in a restatement of the financial statements for 2010 and all prior year financial results have been updated to reflect this change in accounting methodology. Additionally, the results and activities of fiscal year 2010 have been reclassified to comport with the presentation of fiscal year 2011 results and activities.

**Significant Developments**

***American Recovery and Reinvestment Act of 2009 funding*** - The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009. The Recovery Act includes \$13.6 billion for projects and programs administered by the Department of Housing and Urban Development (HUD) of which Home Forward received approximately \$6.3 million of additional capital grant funds and \$0.2 million in competitive public housing ARRA funding for ADA improvements at Demar Downs, a public housing property. During fiscal year 2011, Home Forward expended the remaining \$1.9 million of the ARRA capital grant award. Additionally, Home Forward was also awarded \$3.3 million of competitive ARRA funding from HUD for gap financing for the Bud Clark Commons project (see below) for projects to be completed during fiscal year 2012.

Home Forward is serving as a sub-grantee for the City of Portland for the Homelessness Prevention and Rapid Rehousing Program (HPRP). HPRP is funded by HUD's ARRA program. The pass-through award from the City of Portland to

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

Home Forward is approximately \$4.0 million. In fiscal year 2011, Home Forward expended \$2.6 million in HPRP funds bringing grant utilization-to-date to \$3.6 million.

***RAC Housing Limited Partnership (Bud Clark Commons)*** – Home Forward, in collaboration with the City of Portland, Portland Housing Bureau and Transition Projects, Inc., has built an innovative facility in downtown Portland supporting the City of Portland's 10 year plan to end homelessness. Bud Clark Commons combines a day center that can serve up to 200 people, a 90-bed men's shelter providing sleeping and living areas, and 130 affordable studio units. This \$47 million project was completed in July 2011. Home Forward is the general partner with Wells Fargo Bank N.A. as the limited partner providing funding through low income housing tax credits to assist with the financing of this project. This partnership was initiated in December of 2009.

***Scattered Site Sales*** – During fiscal year 2008, Home Forward submitted a disposition application to HUD for the sale of 158 public housing scattered sites properties. These properties are primarily single family residences and these sales are part of Home Forward's Public Housing Preservation Initiative, with sale proceeds planned for reinvestment in current and replacement low income housing units. 6 units sold in fiscal year 2008, 60 units sold in fiscal year 2009, 39 units sold in fiscal year 2010 and 26 units sold in fiscal year 2011.

***Transfer of Tax Credit Limited Partnership Interests*** - During fiscal year 2011, Home Forward acquired the remaining interest in two tax credit limited partnerships, Dawson Park Limited Partnership and Pearl Court Limited Partnership, and became sole owner of their low income housing properties. These tax credit partnerships were originally formed by Home Forward under Section 42 of the Internal Revenue Code.

***Hillsdale Terrace Duplexes*** – In October 2010, Home Forward acquired three duplexes adjacent to the Hillsdale Terrace public housing property for \$0.9 million. These properties were acquired to support the anticipated redevelopment of Hillsdale Terrace. Home Forward was awarded an \$18.5 million HOPE VI grant in June 2011 supporting the Hillsdale Terrace redevelopment plan.

***Grove Hotel Dispositions*** – In November 2007, Home Forward acquired the Grove Hotel for the purpose of rehabilitating the property. The repaired property would then be transferred to a government entity for the provision of low income housing. With rehabilitation complete, Home Forward transferred title of the Grove Hotel to Portland Housing Bureau in April 2010 for total consideration of \$3.7 million. Included in this consideration was Portland Housing Bureau's assumption of Home Forward's \$3.5 million note payable related to the Grove Hotel.

***Pine Square Apartment*** - In July 2010, Home Forward sold Pine Square, a 143 unit affordable apartment property, for \$5.9 million, generating a \$0.6 million gain.

**Financial Highlights**

Home Forward's Statements of Net Assets continued to reflect favorable liquidity and growth in net assets during 2011. Specifically:

- Total assets and deferred outflows increased \$9.8 million from \$356.2 million at March 31, 2010 to \$366.0 million at March 31, 2011 primarily due to the increase in capital assets of \$14.3 million, notes and accrued interest receivable of \$7.9 million, investments in partnerships of \$7.5 million and cash and investments (including restricted categories) of \$4.3 million. This was offset by a decrease of \$9.5 million in assets available for sale, \$8.2 million in due from partnerships and \$8.1 million in notes receivable - partnerships.
- Total liabilities decreased \$10.6 million from \$172.3 million at March 31, 2010 to \$161.7 million at March 31, 2011 primarily due to a reduction of bonds payable – partnerships of \$8.4 million and a reduction of notes payable of \$2.2 million.

**HOME FORWARD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
Years Ended March 31, 2012 and 2011

- Total operating revenues increased \$11.2 million to \$112.2 million primarily due to increased HUD operating subsidies of \$5.7 million for public housing and Section 8 programs along with higher development fee revenue of \$2.4 million and increased dwelling rental revenue of \$1.4 million.
- Total operating expenses of \$110.7 million increased \$5.7 million from the prior year, primarily due to higher housing assistance payments of \$3.2 million, administration costs of \$1.3 million and depreciation expense of \$1.6 million.
- Operating results for 2011 yielded operating income of \$1.5 million compared to an operating loss of \$4.0 million for 2010. Operating income in 2011 includes depreciation expense of \$7.2 million.
- Net assets grew \$20.5 million to \$204.3 million at March 31, 2011. This growth was primarily due to HUD capital contributions and other non-operating contributions, the proceeds from sale of public housing scattered site properties and operating income of \$1.5 million.

**Condensed Statement of Net Assets**

The following tables show a summary of net assets and net assets by type at March 31, 2011 and 2010:

(in thousands of dollars)	<b>2011</b>	<b>2010</b>	<b>Increase</b>
	<b>(reclassified)</b>	<b>(restated)</b>	<b>(Decrease)</b>
<b>Assets and Deferred Outflows</b>			
Current assets	\$ 64,374	\$ 44,840	\$ 19,534
Non-current assets	155,719	170,370	(14,651)
Capital assets	143,828	129,520	14,308
Assets available for sale	787	10,268	(9,481)
Total assets before deferred outflows	<u>364,708</u>	<u>354,998</u>	<u>9,710</u>
Deferred outflows	1,287	1,152	135
Total assets and deferred outflows	<u>\$ 365,995</u>	<u>\$ 356,150</u>	<u>\$ 9,845</u>
<b>Liabilities</b>			
Current liabilities	\$ 34,382	\$ 12,994	\$ 21,388
Non-current liabilities	126,017	158,182	(32,165)
Derivative instruments	1,287	1,152	135
Total liabilities	<u>161,686</u>	<u>172,328</u>	<u>(10,642)</u>
<b>Net Assets</b>			
Invested in capital assets—net of related debt	66,546	61,168	5,378
Restricted	26,777	42,609	(15,832)
Unrestricted	<u>110,986</u>	<u>80,045</u>	<u>30,941</u>
Total net assets	<u>204,309</u>	<u>183,822</u>	<u>20,487</u>
Total liabilities and net assets	<u>\$ 365,995</u>	<u>\$ 356,150</u>	<u>\$ 9,845</u>

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

**Year-end Financial Position**

Current assets increased in 2011 from \$44.8 million to \$64.4 million. Current portion of notes receivable increased \$22.9 million due to the upcoming repayment next year of construction financing provided to the RAC Housing Limited Partnership. Net accounts receivable increased \$0.8 million due to outstanding draws from funders for the RAC Housing Limited Partnership project offset by receipt of outstanding draws for the completed James Hawthorne project. Cash and cash equivalents combined with current investments (including restricted categories) decreased by \$4.2 million due to management's decision to lengthen investment maturities beyond one year.

Non-current assets decreased \$14.7 million, mainly due to the reclassification of \$22.9 million of notes receivable-partnerships to current assets in anticipation of repayment of construction financing provided to the RAC Housing Limited Partnership. Additionally, due from partnerships decreased \$8.2 million primarily due to receipt of outstanding developer fees and other development activities. Offsetting these reductions were an \$8.6 million increase in long-term investments from lengthening investment maturities and \$7.5 million increase in investments in partnership for the RAC Housing Limited Partnership.

Capital assets increased \$14.3 million. Additions included capital projects at public housing buildings (\$8.2 million), acquisition of the Madrona (\$3.4 million) for future public housing, the transfers of capital assets from Dawson Park Limited Partnership (\$1.9 million) and Pearl Court Limited Partnership (\$6.5 million) that were acquired at the end of their tax compliance period under Section 42 of the Internal Revenue Code, and the acquisition of a duplex (\$0.9 million) adjacent to the Hillsdale Terrace public housing property, a future HOPE VI redevelopment site. Offsetting the increases above was \$7.2 million of depreciation

Assets available for sale decreased \$9.5 million from \$10.3 million in 2010 to \$0.8 million in 2011. During 2011, Home Forward sold Pine Square, with a book value of \$5.3 million; the Grove Hotel, with a book value of \$3.3 million; and 26 public housing scattered sites with a book value of \$0.8 million. Assets available for sale of \$0.8 million consists of the remaining unsold 26 public housing scattered sites.

Current liabilities increased \$21.4 million during the year, primarily due to the \$22.9 million increase in current portion of bonds payable – partnership for the expected retirement of RAC Housing Limited Partnership construction bonds payable in fiscal year 2012. Offsetting this increase, accounts payable decreased by \$2.0 million primarily due to completion of major public housing capital improvements and the James Hawthorne re-development.

Non-current liabilities decreased by \$32.2 million during 2011. This decrease is primarily the result of the reclassification to current liabilities of \$23.2 million of bonds payable – partnerships related to construction financing associated with the RAC Housing Limited Partnership pending the payoff of those bonds. Additionally, the sale of Pine Square apartments resulted in a reduction of bonds payable of \$6.5 million and the sale of the Grove Hotel reduced notes payable – long term by \$3.5 million.

The reduction in bonds payable – partnerships was additionally effected by the acquisition of the Dawson Park and Pearl Court properties which resulted in the reclassification of \$6.9 million from bonds payable – partnerships to bonds payable. This increase to bonds payable was offset by the sale of Pine Square Apartments mentioned in the previous paragraph.

Net assets at March 31, 2011 were \$204.3 million, an increase of \$20.5 million over 2010. This increase resulted from public housing scattered site sales and capital contributions from HUD, the City of Portland, Multnomah County and other sources in support of development activities and by fiscal year 2011 operations.



**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

**Notes and Bonds Payable**

At March 31, 2011, Home Forward had \$78.9 million of notes and bonds payable outstanding (excluding notes payable—partnerships), a decrease of \$1.2 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)	<b>2011</b> <b>(reclassified)</b>	<b>2010</b>	<b>Increase</b> <b>(Decrease)</b>
Current portion of notes and bonds payable	\$ 1,854	\$ 1,557	\$ 297
Notes payable	57,553	59,820	(2,267)
Bonds payable	<u>19,460</u>	<u>18,689</u>	<u>771</u>
Total notes and bonds payable	<u>\$ 78,867</u>	<u>\$ 80,066</u>	<u>\$ (1,199)</u>

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

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

**Results of Operations – Year ended March 31, 2011 compared to Year Ended March 31, 2010**

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

(in thousands of dollars)	<u>2011</u>	<u>2010 (restated)</u>	<u>Increase (Decrease)</u>
<b>Operating revenues</b>			
Rental revenue	\$ 13,596	\$ 12,222	\$ 1,374
HUD subsidies and grants	85,195	79,490	5,705
ARRA revenue	2,780	3,134	(354)
Development fee revenue	3,929	1,517	2,412
State, local and other grants	2,026	1,428	598
Other	4,641	3,226	1,415
	<u>112,167</u>	<u>101,017</u>	<u>11,150</u>
<b>Operating expenses</b>			
Housing assistance payments	65,583	62,347	3,236
Administration	20,352	19,038	1,314
Tenant services	3,544	3,795	(251)
Utilities	4,120	3,787	333
Maintenance	8,995	9,448	(453)
Depreciation	7,211	5,620	1,591
Other	876	996	(120)
	<u>110,681</u>	<u>105,031</u>	<u>5,650</u>
<b>Operating income/(loss)</b>	<u>1,486</u>	<u>(4,014)</u>	<u>5,500</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	547	577	(30)
Interest expense	(3,469)	(3,028)	(441)
Investment in partnership valuation charge	(386)	(530)	144
Amortization	(252)	(252)	-
Loss on sale of capital assets	(595)	(650)	55
Gain on sale of assets available for sale	4,656	5,673	(1,017)
	<u>501</u>	<u>1,790</u>	<u>(1,289)</u>
<b>Income (Loss) before Capital Contributions</b>	<u>1,987</u>	<u>(2,224)</u>	<u>4,211</u>
<b>Capital Contributions</b>			
HUD non-operating contributions	4,535	9,070	(4,535)
Other non-operating contributions	12,047	10,549	1,498
ARRA non-operating contributions	1,918	4,138	(2,220)
	<u>18,500</u>	<u>23,757</u>	<u>(5,257)</u>
<b>Increase in Net Assets</b>	<u>20,487</u>	<u>21,533</u>	<u>(1,046)</u>
<b>Net Assets—Beginning of year (as restated)</b>	<u>183,822</u>	<u>162,289</u>	<u>21,533</u>
<b>Net Assets—End of year</b>	<u>\$ 204,309</u>	<u>\$ 183,822</u>	<u>\$ 20,487</u>

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

Fiscal year 2011 generated \$1.5 million of operating income. This result is a \$5.5 million increase in operating income from fiscal year 2010. Total operating revenues were higher by \$11.2 million while operating expenses increased by \$5.7 million.

Operating revenues of \$112.2 million increased \$11.2 million from fiscal year 2010. Rental revenue was \$1.4 million greater than in fiscal year 2010 primarily due to the addition of Dawson Park and Pearl Court properties acquired from the limited partnerships at the end of their tax compliance period. HUD operating subsidies and grants were \$5.7 million greater than prior year, driven mainly by an increase in Section 8 and public housing subsidy in 2011. Development fee revenue increased \$2.4 million due to activity associated with the Resource Access Center project.

Operating expenses increased \$5.7 million to \$110.7 million in 2011. This was mainly due to a \$3.2 million increase in housing assistance payments correlated to additional funding received for short term rent assistance and Section 8 payments to landlords. Administration expense increased \$1.3 million primarily due to the increase of personnel expenses. Depreciation expense increased \$1.6 million due to the addition of the Dawson Park and Pearl Court properties along with higher depreciation on properties benefitting from capital improvements under ARRA and capital program rehabilitation work.

Nonoperating revenues (expenses) netted \$0.6 million of revenues in 2011, a decrease of \$1.2 million. This was due mainly to \$1.0 million lower gain on sale of assets available for sale and higher interest expense of \$0.4 million compared to 2010 due to the acquisition of Dawson Park and Pearl Court offset.

During 2011, capital contributions from HUD totaled \$6.5 million including \$4.5 million from HUD's modernization grant and \$1.9 million of ARRA non-operating contributions for the modernization and rehabilitation of existing public housing properties. Other capital contributions of \$12.0 million include funds from the City of Portland for the RAC Housing Limited Partnership project (\$10.1 million) and \$0.7 million of funds for the Martha Washington Limited Partnership, primarily from the State of Oregon and Multnomah County.

\*\*\*\*\*

### **Forward Looking Information**

In April 2012, HUD approved Home Forward's FY2013 Moving to Work Annual plan. This plan includes several operational initiatives to be implemented during fiscal year 2013 as well as continues large scale initiatives such as rent reform and local blended subsidy.

In April 2012, Home Forward formed Stephens North Limited Partnership and Stephens South Limited Partnership. These two entities will utilize low income housing tax credits to compete the Stephens Creek Crossing project.

In May 2012, Home Forward's Board of Commissioners approved a resolution allowing Home Forward to authorize execution of an Intergovernmental Agreement (IGA) with Multnomah County to develop of a new Multnomah County Health Department headquarters on the eastern portion of Block U, in downtown Portland. The current development budget for this project is approximately \$41 million.

In June 2012, N4C issued put options to Portland Public School and Boys and Girls Club of Portland Metropolitan Area, respectively, to sell the land and property of N4C to the two entities in the fall of 2012. Prior to the sale, N4C will convert the current property into separate condominium units. Upon sale, N4C will pay off the \$8.8 million Loan A. Ownership in the legal entities associated with operating the new market tax credit program used to fund N4C will then be put to Home Forward for a nominal purchase price.

**HOME FORWARD**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Years Ended March 31, 2012 and 2011

---

In July 2012, Home Forward's Board of Commissioners approved a resolution allowing Home Forward to issue and sell up to \$13,000,000 in Multifamily Housing revenue bonds. These funds will be loaned to Stephens North Limited Partnership.

\*\*\*\*\*

**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.

\*\*\*\*\*

# HOME FORWARD

## STATEMENTS OF NET ASSETS

As of March 31, 2012 and 2011 (with Discretely Presented Component Units as of December 31, 2011 and 2010)

	<b>HOME FORWARD</b>		<b>DISCRETELY PRESENTED COMPONENT UNITS</b>	
	<b>March 31, 2012</b>	<b>March 31, 2011 (as reclassified)</b>	<b>December 31, 2011</b>	<b>December 31, 2010 (as restated)</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 29,219,781	\$ 18,844,571	\$ 5,614,062	\$ 6,189,434
Cash and cash equivalents- Restricted	7,574,750	7,356,563	11,498,011	17,236,049
Investments	5,083,940	4,584,820	-	-
Investments- Restricted	-	-	1,311,983	1,568,737
Accounts receivable, net	4,474,541	8,657,317	427,891	649,902
Prepaid expenses	943,968	854,026	294,966	464,678
Current portion of notes receivable—partnerships	960,290	24,076,424	-	-
	<u>48,257,270</u>	<u>64,373,721</u>	<u>19,146,913</u>	<u>26,108,800</u>
<b>NON-CURRENT ASSETS:</b>				
Investments	-	11,167,667	-	-
Investments- Restricted	1,533,595	1,995,515	1,144,905	1,144,905
Due from partnerships, net	589,376	5,868,313	-	-
Notes and accrued interest receivable	89,372,619	77,914,920	382,624	382,624
Notes receivable—partnerships	45,052,668	46,012,958	-	-
Deferred charges—net	1,956,639	2,105,770	3,587,049	3,909,897
Investments in partnerships	23,771,793	10,653,563	-	-
Capital assets not being depreciated	23,386,912	24,229,188	13,927,763	47,338,854
Capital assets being depreciated, net	119,169,104	119,599,052	236,806,919	209,423,097
	<u>304,832,706</u>	<u>299,546,946</u>	<u>255,849,260</u>	<u>262,199,377</u>
<b>ASSETS AVAILABLE FOR SALE</b>	<u>29,756</u>	<u>786,836</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<u>353,119,732</u>	<u>364,707,503</u>	<u>274,996,173</u>	<u>288,308,177</u>
Deferred outflows on derivative instruments	<u>2,056,476</u>	<u>1,287,337</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 355,176,208</u>	<u>\$ 365,994,840</u>	<u>\$ 274,996,173</u>	<u>\$ 288,308,177</u>

(continued)

See accompanying notes to the financial statements.

# HOME FORWARD

## STATEMENTS OF NET ASSETS

As of March 31, 2012 and 2011 (with Discretely Presented Component Units as of December 31, 2011 and 2010)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2012	March 31, 2011 (as reclassified)	December 31, 2011	December 31, 2010 (as restated)
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Line of credit	\$ 351,713	\$ -	\$ -	\$ -
Accounts payable	2,928,906	2,226,474	563,827	5,652,666
Accrued interest payable, payable from restricted assets	442,127	478,646	555,649	966,057
Other accrued liabilities	2,590,384	2,971,032	8,379,532	9,623,540
Deferred revenue	2,179,461	988,656	172,781	101,087
Deposits, payable from restricted assets	1,646,349	1,785,952	890,213	849,912
Current portion of bonds payable—partnerships	960,290	24,076,424	-	-
Current portion of notes payable	9,784,364	924,325	21,592,069	24,796,147
Current portion of bonds payable	970,000	930,000	-	-
	<u>21,853,594</u>	<u>34,381,509</u>	<u>32,154,071</u>	<u>41,989,409</u>
<b>NON-CURRENT LIABILITIES:</b>				
Notes payable - long-term	51,508,439	57,552,588	174,877,297	171,868,943
Bonds payable	18,424,349	19,459,899	-	-
Bonds payable—partnerships	45,052,668	46,012,958	-	-
Accrued interest - long-term	2,885,889	2,775,615	6,127,284	4,979,542
Other liabilities	270,833	215,809	1,249,526	4,646,784
	<u>118,142,178</u>	<u>126,016,869</u>	<u>182,254,107</u>	<u>181,495,269</u>
Derivative instruments	<u>2,056,476</u>	<u>1,287,337</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>142,052,248</u>	<u>161,685,715</u>	<u>214,408,178</u>	<u>223,484,678</u>
<b>NET ASSETS:</b>				
Invested in capital assets—net of related debt	61,868,864	66,546,128	54,265,317	59,596,305
Restricted				
Real estate sale proceeds	13,835,394	19,139,629	-	-
Residual receipts	132,291	131,953	-	-
Funds held in trust and debt amortization funds	6,867,884	6,932,294	12,970,393	19,098,877
Unused PILOT funds	209,834	572,815	-	-
	<u>21,045,403</u>	<u>26,776,691</u>	<u>12,970,393</u>	<u>19,098,877</u>
Unrestricted (deficit)	<u>130,209,693</u>	<u>110,986,306</u>	<u>(6,647,715)</u>	<u>(13,871,683)</u>
Total net assets	<u>213,123,960</u>	<u>204,309,125</u>	<u>60,587,995</u>	<u>64,823,499</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 355,176,208</u>	<u>\$ 365,994,840</u>	<u>\$ 274,996,173</u>	<u>\$ 288,308,177</u>

See accompanying notes to the financial statements.

# HOME FORWARD

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

Years Ended March 31, 2012 and 2011 (with Discretely Presented Component Units Years Ended December 31, 2011 and 2010)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2012	March 31, 2011	December 31, 2011	December 31, 2010 (as restated)
<b>OPERATING REVENUES:</b>				
Dwelling rental	\$ 12,285,314	\$ 11,974,412	\$ 14,353,158	\$ 13,729,135
Non-dwelling rental	1,792,125	1,620,903	424,449	443,803
HUD operating subsidies	79,355,595	79,315,903	1,662,553	1,492,280
HUD grants	6,842,403	5,879,261	-	-
ARRA revenue	364,511	2,780,021	-	-
Development fee revenue	95,106	3,928,954	-	-
State, local and other grants	3,740,996	2,026,061	-	-
Other	4,777,217	4,641,109	1,337,321	853,977
	109,253,267	112,166,624	17,777,481	16,519,195
<b>OPERATING EXPENSES:</b>				
Housing assistance payments	67,785,556	65,583,002	56,160	58,693
Administration	21,027,557	20,352,117	5,542,142	4,421,644
Tenant services	4,174,198	3,543,286	360,527	219,674
Utilities	4,182,437	4,120,118	2,349,121	2,175,123
Maintenance	9,273,542	8,995,201	3,116,567	2,811,833
Depreciation	8,132,459	7,211,064	11,494,357	10,590,349
General and other	1,101,422	875,951	771,490	645,721
Impairment loss	3,641,253	-	-	-
	119,318,424	110,680,739	23,690,364	20,923,037
<b>OPERATING INCOME/(LOSS)</b>	(10,065,157)	1,485,885	(5,912,883)	(4,403,842)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	562,859	546,646	136,207	172,353
Interest expense	(3,381,357)	(3,469,082)	(4,812,145)	(5,069,849)
Investment in partnership valuation charge	(37,052)	(386,100)	-	-
Change in derivative contract valuation	-	-	(748,970)	(132,206)
Amortization	(575,033)	(251,333)	(624,731)	(376,740)
Loss on sale and disposal of capital assets	(1,377,512)	(595,111)	(103,637)	(28,171)
Gain on sale of assets available for sale	1,797,214	4,655,704	-	-
	(3,010,881)	500,724	(6,153,276)	(5,434,613)
<b>INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(13,076,038)	1,986,609	(12,066,159)	(9,838,455)
<b>CAPITAL CONTRIBUTIONS:</b>				
HUD nonoperating contributions	2,888,673	4,535,404	-	-
Other nonoperating contributions	15,723,830	12,046,924	-	-
ARRA nonoperating contributions	3,278,370	1,918,352	-	-
Partner contributions	-	-	7,830,655	20,637,681
	21,890,873	18,500,680	7,830,655	20,637,681
<b>INCREASE (DECREASE) IN NET ASSETS</b>	8,814,835	20,487,289	(4,235,504)	10,799,226
<b>NET ASSETS—Beginning of year (as previously reported)</b>	204,309,125	183,821,836	64,823,499	54,392,624
<b>Prior period adjustment</b>	-	-	-	(368,351)
<b>NET ASSETS—Beginning of year (as restated)</b>	204,309,125	183,821,836	64,823,499	54,024,273
<b>NET ASSETS—End of year</b>	\$ 213,123,960	\$ 204,309,125	\$ 60,587,995	\$ 64,823,499

See accompanying notes to the financial statements.

**HOME FORWARD**  
**STATEMENTS OF CASH FLOWS**

Years Ended March 31, 2012 and 2011

	<b>HOME FORWARD</b>	
	<b>March 31, 2012</b>	<b>March 31, 2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from HUD grants	\$ 87,224,942	\$ 89,447,457
Receipts from state, local and other grants	3,434,367	2,537,770
Receipts from tenants and landlords	14,140,369	13,637,344
Receipts from developer fees	1,921,587	3,504,318
Receipts from others	4,891,975	4,808,862
Payments to landlords	(67,756,244)	(65,876,077)
Payments to and on behalf of employees	(20,376,455)	(20,752,360)
Payments to vendors, contractors and others	(19,237,400)	(18,849,121)
	<u>4,243,141</u>	<u>8,458,193</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	351,713	-
Proceeds from issuance of notes payable	19,484,545	553,054
Proceeds from issuance of bonds payable	-	571,274
Interest paid on notes and bonds payable	(2,783,787)	(3,375,309)
Principal payments on notes payable	(16,677,888)	(591,783)
Principal payments on bonds payable	(1,000,000)	(7,296,735)
Principal payments on bonds payable—partnerships	(24,076,424)	(868,640)
Change in restricted cash	(297,764)	(823,242)
Changes in restricted investments	461,920	1,027,829
HUD capital and other nonoperating contributions	26,219,886	14,720,922
Acquisition and construction of capital assets	(7,383,450)	(13,002,349)
Improvements of assets available for sale	-	18,072
Proceeds from the sale of assets available for sale	2,355,882	10,653,873
	<u>(3,345,367)</u>	<u>1,586,965</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(998,202)	(14,199,469)
Proceeds from maturity of investments	11,666,749	8,218,614
Change in deferred charges	(869,899)	112,267
Issuance of notes receivable	(15,517,247)	(6,396,251)
Issuance of notes receivable—partnerships	-	(283,225)
Collections on notes receivable	754,638	729,890
Collections on notes receivable—partnerships	24,076,424	868,640
Change in due from partnerships, net	5,148,903	5,011,206
Change in investments in partnerships, net	(16,318,200)	(7,674,104)
Investment income	1,534,270	1,244,231
	<u>9,477,436</u>	<u>(12,368,201)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	10,375,210	(2,323,043)
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<u>18,844,571</u>	<u>21,167,614</u>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<u>\$ 29,219,781</u>	<u>\$ 18,844,571</u>

(continued)

See accompanying notes to the financial statements.



**HOME FORWARD**  
**STATEMENTS OF CASH FLOWS**

Years Ended March 31, 2012 and 2011

	<b>HOME FORWARD</b>	
	<b>March 31, 2012</b>	<b>March 31, 2011</b>
<b>RECONCILIATION OF OPERATING LOSS</b>		
<b>TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating loss	\$ (10,065,157)	\$ 1,485,885
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation	8,132,459	7,211,064
Impairment loss	3,641,253	-
Changes in assets and liabilities:		
Accounts receivable—net	(656,718)	2,048,512
Developer fee receivable	1,826,481	(424,636)
Prepaid expenses	(87,633)	(58,743)
Accounts payable	587,870	(2,133,143)
Other accrued liabilities	(380,648)	129,479
Other liabilities	55,024	54,524
Deferred revenue	1,190,210	145,251
	<u>\$ 4,243,141</u>	<u>\$ 8,458,193</u>
Net cash flows from operating activities		
	<u>\$ 4,243,141</u>	<u>\$ 8,458,193</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS</b>		
Foregiveness of notes payable	<u>\$ 375,020</u>	<u>\$ 295,654</u>
Property transfer in exchange for forgiveness of notes payable	<u>\$ -</u>	<u>\$ 3,464,752</u>
Change in investment in partnerships	<u>\$ 3,064</u>	<u>\$ 1,594</u>
Donated capital assets	<u>\$ 139,702</u>	<u>\$ 726,997</u>
Equity transfer - limited partnership purchase		
Restricted assets	\$ 85,235	\$ 1,002,186
Other assets	114,526	834,826
Capital assets	1,231,426	8,385,119
Other liabilities	(180,174)	(719,699)
Tenant security deposits	(5,650)	(112,264)
Accrued interest payable from restricted assets	(206,702)	(477,031)
Notes payable	(842,572)	(1,618,614)
Bond payable	-	(7,467,641)
Net assets	(196,089)	173,118
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Home Forward is governed by a nine-member Board of Commissioners; four appointments are recommended by the City of Portland, two by the City of Gresham and two by Multnomah County. 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.

Home Forward is the general partner and owns a .01% to .1% investment in each of the following discretely presented component unit limited partnerships:

*General Partner Ownerships presented in both December 31, 2011 and 2010 discretely presented component unit results:*

- 1115 SW 11<sup>th</sup> Avenue Limited Partnership
- Cecilia Limited Partnership
- Civic Redevelopment Limited Partnership
- Clay Street Limited Partnership
- Columbia Street Limited Partnership
- Fountain Place Limited Partnership
- Gateway Park Limited Partnership
- Gladstone Square Limited Partnership
- Haven Limited Partnership
- Humboldt Gardens Limited Partnership
- Jeffery Apartment Limited Partnership
- Kelly Place Limited Partnership
- Lovejoy Station Limited Partnership
- RAC Housing Limited Partnership
- Rockwood Landing Limited Partnership
- Sequoia Square Limited Partnership
- St. Francis Limited Partnership
- Trouton Limited Partnership
- Union Station A LIH Limited Partnership
- Woolsey 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.

In evaluating how to define Home Forward for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in Home Forward was made by applying the criteria set forth by accounting principles generally accepted in the United States of America (GAAP). As required by the Governmental Accounting Standards Board (GASB) Statement No. 14, the basic financial statements include its blended component unit, New Columbia Community Campus Corporation (N4C) and 20 discretely presented component units. N4C is a blended component unit because N4C is a supporting organization to Home Forward and the N4C board is elected by Home Forward board.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

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

***Public Housing***—Home Forward owns, operates and maintains 2,544 units of Public Housing, of which 537 units are located at buildings included in the Affordable Housing portfolio. The properties were acquired through bonds and notes guaranteed by HUD and through grants, subject to the terms of an Annual Contributions Contract with HUD. Revenues consist primarily of rents and other fees collected from tenants, and an Operating Subsidy from HUD. Funds from the Capital Grant Program provided by HUD are used to maintain and improve this Public Housing portfolio. Substantially all additions to land, structures and equipment of Public Housing are accomplished through these capital grant funds.

***Rent Assistance***—Section 8 of the U.S. Housing and Community Development Act of 1974 provides Housing Assistance Payments on behalf of lower-income families to participating housing owners. Under this program, the landlord-tenant relationship is between a rental-housing owner and a family, rather than Home Forward and a family as in the Public Housing program. For approved housing, HUD contracts with Home Forward to enter into contracts with owners to make assistance payments for the difference between the approved contract rent and the actual rent paid by the lower-income families, which equals 30% of adjusted household gross income. Housing Assistance Payments made to landlords and some participants are funded through Annual Contributions Contracts. At March 31, 2012, Home Forward administered approximately 8,600 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, is developing, or is a partner in approximately 3,940 units of housing, of which 537 are public housing units. The Affordable Housing portfolio consists of 37 multifamily properties representing 3,940 units, of which 2,266 are owned through tax credit partnerships. The Special Needs portfolio consists of 35 properties representing 526 units. The Special Needs properties were developed using grant funds received from the State of Oregon and Federal programs combined with contributions from Home Forward and other local agencies.

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

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

***Basis of Accounting***—Home Forward maintains its accounting records as a proprietary fund using the accrual basis of accounting. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Home Forward applies all GASB pronouncements as well as the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) pronouncements issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Home Forward distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are derived from providing services in connection with Home Forward’s ongoing operations. Operating revenues, generally, include rental income, operating subsidies, operating grant revenue and development fee income. Operating expenses, generally, include housing assistance payments, occupancy charges, tenant services, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are classified as non-operating revenues and expenses.

***Use of Estimates***—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**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.

*Construction funds escrow* represents funds held in escrow for the purpose of completing construction projects.

*Residual receipts reserve* is maintained for the Plaza and Multnomah Manor properties, which are included in Home Forward’s Affordable Housing Portfolio, and consists of surplus cash on hand at the end of each fiscal year, less authorized disbursements to date plus interest earned on the deposits. As of March 31, 2012 and 2011, 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 2012 and 2011, the reserves were funded as required under the various agreements.

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

**Concentration of Risk**— Federal regulations require that public funds on deposit with financial institutions be secured at a rate of 100% of amounts in excess of deposit insurance coverage. Home Forward maintains cash balances at several financial institutions, some in excess of the federally insured amount of \$250,000. Financial institutions insure these excess balances either via the Oregon State Treasurer’s office by designating these balances as Public Funds per ORS 295 or via other collateral agreements at the Federal Reserve Bank and/or the Federal Home Loan Bank. Deposits for low- or non-interest bearing transactional accounts are fully insured by the FDIC under the Temporary Account Guarantee Program (TAGP) if the financial institution chooses to participate in the program. As of March 31, 2012, approximately \$795,000 of affordable housing deposits did not have adequate collateralization. The funds not collateralized resided in

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

---

bank accounts that Home Forward was required to maintain due to the existence of a debt agreement with that bank. The bank associated with these deposits has subsequently provided additional collateralization for these deposits. Home Forward has not experienced any losses from these accounts. As of March 31, 2011, all of Home Forward's funds were collateralized.

**Investments**—Home Forward entered into an agreement with HUD, known as Moving to Work, in January of 1999. This agreement, among other things, allows Home Forward to conduct its investment activity under the State of Oregon Statutes where the Statutes differ from HUD investment restrictions. These statutes authorize Home Forward to invest in bankers' acceptances, time certificates of deposit, repurchase agreements, certain commercial paper, obligations of the United States and its agencies and instrumentalities.

**Fair Value of Financial Instruments**—Investments held by Home Forward are stated at fair value. 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. Home Forward adopted FASB ASC Topic 820 *Fair Value Measurements and Disclosures* at the beginning of the 2009 fiscal year and there was no material impact to the financial statements. Topic 820 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under the FASB ASC Topic 820 *Fair Value Measurements and Disclosures* 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2012 as compared to March 31, 2011. Only negotiable investments in certificates of deposit are required to be measured at fair value. Home Forward has no investments of this type as of March 31, 2012 or 2011. Investments in derivatives are valued based upon quoted prices for similar assets in active markets.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

The following table sets forth by level, within the fair value hierarchy, Home Forward's assets and liabilities at fair value as of March 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal National Mortgage Association				
Discount Notes	\$ -	\$ 2,022,093	\$ -	\$ 2,022,093
Federal Home Loan Bank	-	3,061,847	-	3,061,847
Repurchase agreements	-	1,533,595	-	1,533,595
Investments in derivatives	-	(2,056,476)	-	(2,056,476)
	<u>\$ -</u>	<u>\$ 4,561,059</u>	<u>\$ -</u>	<u>\$ 4,561,059</u>

The following table sets forth by level, within the fair value hierarchy, Home Forward's assets and liabilities at fair value as of March 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Treasury Securities	\$ 6,185,280	\$ -	\$ -	\$ 6,185,280
Federal National Mortgage Association				
Discount Notes	-	999,952	-	999,952
Federal Home Loan Bank	-	6,156,458	-	6,156,458
Federal Farm Credit Bank	-	2,038,452	-	2,038,452
Repurchase agreements	-	1,995,515	-	1,995,515
Investments in derivatives	-	(1,287,337)	-	(1,287,337)
	<u>\$ 6,185,280</u>	<u>\$ 9,903,040</u>	<u>\$ -</u>	<u>\$ 16,088,320</u>

**Non-current Assets**

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

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

*Deferred charges—net* consists of unamortized issue costs and unamortized interest differential associated with the debt restructuring (see Note 12). These charges are being amortized over the lives of the respective bond issues using the straight-line method, which approximates the effective interest method. Net deferred charges were \$1,956,639, and \$2,105,700, as of March 31, 2012 and 2011, respectively.

*Investments in Partnerships* represents Home Forward's equity interest in 20 limited partnerships, 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.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

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.

*Capital assets* include land, structures, and equipment. All capital assets are recorded at cost except for donated capital assets which are recorded at fair value. Depreciation is computed on the straight-line method based on the estimated useful lives of the individual assets: 15 to 40 years for buildings and improvements and 3 to 15 years for equipment. When debt is issued for construction of capital assets, interest is capitalized during construction up to the placed-in-service date. No interest was capitalized for the years ended March 31, 2012 and March 31, 2011, respectively. Maintenance and repairs are charged to expense when incurred. Assets with costs in excess of \$5,000 are capitalized and depreciated from the respective placed-in-service date.

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

During FY 2012, Home Forward incurred impairment losses of approximately \$3,641,000. These impairment losses occurred at three of Home Forward's properties.

Home Forward is implementing a \$47 million comprehensive redevelopment of its Hillsdale Terrace public housing property. The new redevelopment will be called Stephens Creek Crossing and will include 122 units of housing and seven off-site homes, developed in partnership with Habitat for Humanity. To prepare for the redevelopment, the existing Hillsdale Terrace buildings were demolished and Home Forward wrote off the net book value of \$1,273,000.

During property inspections, Home Forward discovered evidence of physical damage to the exterior envelopes of the buildings at two affordable housing properties, Ash Creek Commons and Willow Tree Apartments. It was determined that a complete siding replacement is necessary to maintain the useful life of these buildings. Using the restoration cost approach, Home Forward calculated an impairment charge of approximately \$2,368,000.

**Deferred Revenue**—Deferred revenue consists primarily of advanced grant payments received from HUD programs and payments received from non-HUD sources that have not been earned as of March 31, 2012 and 2011.

**Other Liabilities—Non-current**—Other liabilities – non-current represents the liabilities associated with other post-employment benefits as determined in accordance with GASB Statement No. 45.

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

**Compensated Absences**—All full-time and part-time employees who are regularly scheduled to work at least 20 hours per week are eligible to earn paid annual leave. Eligible employees begin to accrue annual leave as of their hire date; however, the accrued time does not become earned, useable or payable until the completion of 90 days of continuous service. Earned paid annual leave time may be carried over and accumulated up to a maximum of two years' accrual as of January 1 of any year. Total accrued compensated absences as of March 31, 2012 and 2011 were \$1,395,031 and \$1,366,677, respectively, and are a component of other accrued liabilities.

**Payments in Lieu of Taxes**—As a municipal corporation, Home Forward is exempt from federal, state and local income and property taxes. Instead, Home Forward is required to make payments to local government entities called Payments in Lieu of Taxes (PILOT) on certain rental properties owned by Home Forward. Under an agreement with the City of Portland, Home Forward is required to make an annual payment equal to 10% of the shelter rent charged by the local authority in respect to the project. Shelter rent is the total of all charges to all tenants for dwelling and non-dwelling rents less the cost of utilities. Home Forward also makes annual payments to the City of Fairview. In 2011, Home Forward

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

---

made a one time payment of \$30,000 of PILOT to the City of Gresham. Total payments in lieu of taxes for March 31, 2012 and 2011 were \$225,000 and \$255,000, respectively.

**Income Taxes**—Home Forward adopted the provisions of FASB ASC Topic 740-10 *Accounting for Uncertainty in Income Taxes* on April 1, 2009 as applicable to the tax credit limited partnerships as shown as discretely presented component units in the basic financial statements. These Oregon tax credit limited partnerships were formed in conformity with the provisions of Section 42 of the Internal Revenue Code, thus no provision has been made for income taxes. There was no effect on net assets in the current year as a result of adopting this Topic. No expense for interest of 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.

**Restatement of prior year financial statements** – Civic Redevelopment Limited Partnership, a discretely presented component unit, entered into an interest rate swap agreement with The Bank of New York Mellon to covert a variable interest rate to a fixed rate on a bond agreement related to the note payable to the General Partner, Home Forward. In prior periods, the fair value of this derivative instrument was not recorded. A prior period adjustment was reported on Civic Redevelopment Limited Partnership’s 2011 Audit Report. See Note 20 for more information.

**Reclassifications** - Certain amounts on the financial statements for the year ended March 31, 2011, have been reclassified to be consistent with the classifications adopted for the year ended March 31, 2012.

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

On December 17, 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. Statement 61 is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The Statement will improve the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units). The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials of the primary government by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that the government determines would be misleading to exclude. In addition, the Statement amends the criteria for blending—that is, reporting component units as if they were part of the primary government—in certain circumstances. The amendments to the criteria for blending will help ensure that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and will clarify which component units have that characteristic. For primary governments that are business-type activities reporting in a single column (for example, a state university), the new guidance for reporting blended component units will require condensed combining information to be included in the notes to the financial statements, which will allow users to better distinguish between the primary government and its component units. Lastly, the new requirements for reporting equity interests in component units help ensure that the primary government’s financial statements do not understate financial position and provide for more consistent and understandable display of those equity interests. The requirements of Statement 61 are effective for financial statements for periods beginning after June 15, 2012.

On December 30, 2010 GASB issued statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the



**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

---

following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

On July 13, 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53).

GASB Statement 63 is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. Statement 63 provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. Statement 63 also amends certain provisions of Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement 64 will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. Statement 64 clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011.

On April 2, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement 65 establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities, as deferred outflows of resources or deferred inflows of resources. Statement 65 amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. Statement 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

On June 25, 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement 68 establishes accounting and financial reporting requirements for pension plans that are administered through trusts. Statement 68 requires governments participating in cost-sharing plans to report a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost sharing plan. Statement 68 also requires that notes to financial statements of cost-sharing employers include descriptive information about the pension plan,

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

including the discount rate and assumptions used to calculate of their proportionate shares of net pension liabilities. Statement 68 requires cost-sharing employers to present in the required supplementary information 10-year schedules for net pension liability, information about contractually required contribution, contributions to the pension plan, and related ratios. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014.

**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, developer fees, which are not paid during the construction phase, are generally required to be paid either within 10 to 15 years of the project having been placed-in-service and may accrue interest on unpaid balances. In 2012, Home Forward earned \$95,000 in developer fees and was paid \$1.9 million. In 2011, Home Forward earned \$3.9 million in developer fees and was paid \$3.5 million. At March 31, 2012 and 2011, the balance of the development fees owed to Home Forward is \$7.2 million and \$9.2 million, respectively. Some tax credit projects also pay a General Partner's management fee and/or a tenant services fee; these fees are reflected in other operating revenues and totaled \$545,868, and \$405,305 in 2012 and 2011, respectively.

During the year ended March 31, 2012, the following acquisition of interest in tax credit partnerships occurred:

On January 1, 2012, Home Forward purchased the remaining 99% interest in Kelly Place Limited Partnership. Upon purchase, the partnership was dissolved. A summary of the partnership's statement of net assets at the time of purchase was:

Total Assets	\$ 1,431,187
Total Liabilities	<u>1,235,098</u>
Net Assets	<u><u>\$ 196,089</u></u>

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

During the year ended March 31, 2011, the following acquisition of interest in tax credit partnerships occurred:

On May 3, 2010, Home Forward purchased the remaining 99% in the Pearl Court Limited Partnership from Fannie Mae for \$280,000. Upon the purchase, the partnership was dissolved. A summary of the partnership's statement of net assets at the time of purchase was:

Total Assets	\$ 7,808,526
Total Liabilities	<u>7,429,055</u>
Net Assets	<u>\$ 379,471</u>

On June 4, 2010, Home Forward entered into a Charitable Contribution Agreement with U.S. Bancorp Community Development Corporation. U.S. Bancorp Community Development Corporation donated their 99% interest in Dawson Park Limited Partnership to the Authority. Upon receiving the contribution, the partnership was dissolved. A summary of the partnership's statement of net asset at the time of purchase was:

Total Assets	\$ 2,413,605
Total Liabilities	<u>2,966,194</u>
Net Assets	<u>\$ (552,589)</u>

### 3. INVESTMENTS

Home Forward's investment policies require that all investments be made in accordance with the stated objectives of capital preservation, optimum liquidity and return, while conforming to all applicable statutes and regulations. Home Forward intends to adhere fully to its investment policy, which expressly prohibits the making of speculative or leveraged investments and requires that all investments be made prudently and with due care to ensure compliance with all statutes and regulations.

#### Investment Risk Disclosures

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Home Forward will not be able to recover the value of the investment securities that are in the possession of the outside party. As of March 31, 2012 and 2011, 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.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

As March 31, 2012 and 2011, Home Forward's investments in Federal Home Loan Bank debt securities represented 46% and 31%, respectively, of Home Forward's investments, exceeding the 5% concentration threshold.

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.

Investments and Investments – restricted consist of the following at March 31, 2012:

CURRENT

Investments

Federal Farm Credit Bank notes	Aaa	\$ 2,022,093	\$ -	\$ -	\$ 2,022,093
Federal Home Loan Bank notes	Aaa	3,061,847	-	-	3,061,847
		<u>5,083,940</u>	<u>-</u>	<u>-</u>	<u>5,083,940</u>

NON-CURRENT

Investments - restricted

Repurchase agreement - Bayerisch	Baa1	-	-	1,048,180	1,048,180
Repurchase agreement - Societe Generale	A1	-	-	485,415	485,415
		<u>-</u>	<u>-</u>	<u>1,533,595</u>	<u>1,533,595</u>
TOTAL		<u>\$ 5,083,940</u>	<u>\$ -</u>	<u>\$ 1,533,595</u>	<u>\$ 6,617,535</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

Investments and Investments – restricted consist of the following at March 31, 2011:

	Credit Rating	Investment maturities (in years)			Fair Value
		< 1 yr	1-3 yrs	>3 yrs	
<b>CURRENT</b>					
Cash equivalents					
US Treasury securities - treasury bill	Exempt	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Cash equivalents - restricted					
US Treasury securities - treasury bill	Exempt	192,000	-	-	192,000
Investments					
Certificates of deposit - negotiable	Not rated	2,564,345	-	-	2,564,345
Federal Natl. Mortgage Assoc. discount notes	Aaa	-	999,952	-	999,952
Federal Home Loan Bank notes	Aaa	-	1,020,523	-	1,020,523
		<u>4,756,345</u>	<u>2,020,475</u>	<u>-</u>	<u>6,776,820</u>
<b>NONCURRENT</b>					
Investments					
US Treasury securities - treasury note	Exempt	-	3,993,280	-	3,993,280
Federal Home Loan Bank notes	Aaa	-	5,135,935	-	5,135,935
Federal Farm Credit Bank notes	Aaa	-	2,038,452	-	2,038,452
Investments - restricted					
Repurchase agreement - Bayerisch	Aa2	-	-	1,305,148	1,305,148
Repurchase agreement - Societe Generale	Aa2	-	-	690,367	690,367
		<u>-</u>	<u>11,167,667</u>	<u>1,995,515</u>	<u>13,163,182</u>
<b>TOTAL</b>		<u>\$ 4,756,345</u>	<u>\$ 13,188,142</u>	<u>\$ 1,995,515</u>	<u>\$ 19,940,002</u>

Investments and investments - restricted for the year ended March 31, 2012 matured between April 2012 and January 2029 and the interest rate on the investments ranges from 0.03% to 5.92%. Investments and investments – restricted for the year ended March 31, 2011 matured between April 2011 and January 2029 and the interest rate on these investments ranged from 0.06% to 5.92%. The repurchase agreements are guaranteed investment contracts.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at March 31:

	<u>2012</u>	<u>2011</u>
HUD grants	\$ 3,011,866	\$ 1,351,107
State, local and other grants	1,081,885	6,741,031
Tenants and landlords	697,860	672,595
Other	196,104	385,465
	<u>4,987,715</u>	<u>9,150,198</u>
Less allowance for doubtful accounts	(513,174)	(492,881)
Total accounts receivable, net	<u>\$ 4,474,541</u>	<u>\$ 8,657,317</u>

**5. DUE FROM PARTNERSHIPS**

Due from partnerships consists of the following at March 31:

	<u>2012</u>	<u>2011</u>
Cecelia Limited Partnership	\$ 501,275	\$ 536,275
Woolsey Limited Partnership	336,804	274,329
Clay Street Limited Partnership	322,686	329,807
Gladstone Square Limited Partnership	251,859	227,833
Fountain Place Limited Partnership	157,138	152,422
RAC Housing Limited Partnership	97,573	4,589,715
1115 SW 11 <sup>th</sup> Avenue Limited Partnership	18,403	282,248
All other partnerships	651,069	749,648
	<u>2,336,807</u>	<u>7,142,277</u>
Less: allowance for doubtful accounts	(1,747,431)	(1,273,964)
Total due from partnerships	<u>\$ 589,376</u>	<u>\$ 5,868,313</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

**6. NOTES RECEIVABLE AND ACCRUED INTEREST**

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

	<u>2012</u>	<u>2011</u>
Partnership notes	\$ 89,801,571	\$ 78,250,089
Homeowners notes	<u>228,300</u>	<u>228,300</u>
	90,029,871	78,478,389
Accrued interest receivable	5,264,721	4,804,380
Less: Allowance for doubtful accounts	<u>(5,921,973)</u>	<u>(5,367,849)</u>
Total notes and accrued interest receivable	<u>\$ 89,372,619</u>	<u>\$ 77,914,920</u>

Partnership notes have been issued to the limited partnerships invested in by Home Forward. These notes are used for the purpose of acquiring, constructing, and/or remodeling buildings for housing and other housing related purposes. These notes have an interest range of 0% to 7% with various maturity dates to 2062. As described in each note agreement, payments will be made from available cash flows.

Homeowners' notes are secured by deed of trust and accrue interest at 5% per annum. Deferred interest will be forgiven if owner completes required homeowner education classes and remains in the house for five years. Principal is payable upon sale of property or various dates between 2033 through 2037.

**7. INVESTMENTS IN PARTNERSHIPS**

Investments in partnerships consist of the following at March 31:

	<u>2012</u>	<u>2011</u>
RAC Housing Limited Partnership	\$ 21,186,489	\$ 7,904,726
Cecilia Limited Partnership	1,273,257	1,273,351
Haven Limited Partnership	516,132	516,169
Lovejoy Station Limited Partnership	256,527	256,564
Rockwood Landing Limited Partnership	224,811	224,824
Clay Street Limited Partnership	96,710	96,952
All other partnerships	<u>217,867</u>	<u>380,977</u>
Total investments in partnerships	<u>\$ 23,771,793</u>	<u>\$ 10,653,563</u>

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

**8. CAPITAL ASSETS**

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

	<u>Balance April 1, 2011</u>	<u>Additions and transfers in</u>	<u>Disposals and transfers out</u>	<u>Reclassified as Available for Sale</u>	<u>Balance March 31, 2012</u>
Land	\$ 20,229,679	\$ 609,536	\$ (3,775)	\$ -	\$ 20,835,440
Construction in progress	3,999,509	9,952,412	(11,400,449)	-	2,551,472
Total capital assets not being depreciated	<u>24,229,188</u>	<u>10,561,948</u>	<u>(11,404,224)</u>	<u>-</u>	<u>23,386,912</u>
Buildings and improvements	177,307,780	11,756,343	(8,777,656)	-	180,286,467
Equipment	12,243,102	2,174,503	(52,077)	-	14,365,528
	<u>189,550,882</u>	<u>13,930,846</u>	<u>(8,829,733)</u>	<u>-</u>	<u>194,651,995</u>
Less: Accumulated Depreciation					
Buildings and Improvements	(63,425,487)	(7,887,478)	3,807,382	-	(67,505,583)
Equipment	(6,526,343)	(1,476,205)	25,240	-	(7,977,308)
Total Accumulated depreciation	<u>(69,951,830)</u>	<u>(9,363,683)</u>	<u>3,832,622</u>	<u>-</u>	<u>(75,482,891)</u>
Total capital assets being depreciated	<u>119,599,052</u>	<u>4,567,163</u>	<u>(4,997,111)</u>	<u>-</u>	<u>119,169,104</u>
Total capital assets, net	<u>\$ 143,828,240</u>	<u>\$ 15,129,111</u>	<u>\$ (16,401,335)</u>	<u>\$ -</u>	<u>\$ 142,556,016</u>

	<u>Balance April 1, 2010</u>	<u>Additions and transfers in</u>	<u>Disposals and transfers out</u>	<u>Reclassified as Available for Sale</u>	<u>Balance March 31, 2011</u>
Land	\$ 18,256,514	\$ 1,979,697	\$ -	\$ (6,532)	\$ 20,229,679
Construction in progress	5,688,181	9,270,351	(10,959,023)	-	3,999,509
Total capital assets not being depreciated	<u>23,944,695</u>	<u>11,250,048</u>	<u>(10,959,023)</u>	<u>(6,532)</u>	<u>24,229,188</u>
			-		
Buildings and improvements	153,319,937	26,072,273	(2,063,298)	(21,132)	177,307,780
Equipment	9,295,490	2,957,947	(10,335)	-	12,243,102
	<u>162,615,427</u>	<u>29,030,220</u>	<u>(2,073,633)</u>	<u>(21,132)</u>	<u>189,550,882</u>
Less: Accumulated depreciation					
Buildings and improvements	(52,160,455)	(12,745,431)	1,473,266	7,133	(63,425,487)
Equipment	(4,879,718)	(1,656,960)	10,335	-	(6,526,343)
Total Accumulated depreciation	<u>(57,040,173)</u>	<u>(14,402,391)</u>	<u>1,483,601</u>	<u>7,133</u>	<u>(69,951,830)</u>
Total capital assets being depreciated	<u>105,575,254</u>	<u>14,627,829</u>	<u>(590,032)</u>	<u>(13,999)</u>	<u>119,599,052</u>
Total capital assets, net	<u>\$ 129,519,949</u>	<u>\$ 25,877,877</u>	<u>\$ (11,549,055)</u>	<u>\$ (20,531)</u>	<u>\$ 143,828,240</u>



**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

**9. ASSETS AVAILABLE FOR SALE**

On February 22, 2008, HUD approved Home Forward's plan for the disposition of 158 scattered site buildings. A recap of buildings sold is:

	Units
Original scattered sites available for sale	158
Scattered sites sold fiscal year 2008	(6)
Scattered sites sold fiscal year 2009	(60)
Scattered sites sold fiscal year 2010	(39)
Scattered sites sold fiscal year 2011	(26)
Scattered sites retained fiscal year 2011	(1)
Scattered sites sold fiscal year 2012	(18)
Scattered sites retained fiscal year 2012	(7)
Scattered sites available for sale as of March 31, 2012	1

During FY 2012, Home Forward retained seven scattered site locations rather than sell those sites to a third party. The value of these sites was transferred out of assets available for sale and transferred in as a capital asset. The final remaining scattered site is scheduled to be sold in April 2012.

Total net book value of remaining assets available for sale as of March 31, 2012 and March 31, 2011 is \$29,756 and \$786,836, respectively.

**10. LINE OF CREDIT**

Home Forward has an \$8,000,000 revolving line of credit. The line of credit is used for short-term funding needs. The line of credit is collateralized by the general revenues of Home Forward and matures December 12, 2014. Draws on the line of credit may bear a fixed or variable rate of interest. During 2012, gross draws, including initial draws and draws after repayments, on the line of credit were \$4,938,625, which represents both principal and accrued interest. The remaining outstanding line of credit balance for March 31, 2012 is \$351,713. There was no line of credit activity during year ending March 31, 2011. A summary of activity for Home Forward's line of credit for year ending March 31, 2012 is as follows:

Balance April 1, 2011	Draws	Repayments	Balance March 31, 2012
\$ -	\$ 4,938,625	\$ (4,586,912)	\$ 351,713

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

**11. NOTES PAYABLE**

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

<u>Property</u>	<u>2012 Interest Rate</u>	<u>Final Maturity Date*</u>	<u>Payment Terms</u>	<u>2012</u>	<u>2011</u>
Laurelhurst	6.00%	2016	Monthly	\$ 12,246	\$ 14,867
Schiller Way	4.00%	2030	Monthly	609,216	632,184
Schiller Way	4.14%	2021	Monthly	207,898	227,001
Richmond Place	9.38%	2019	Monthly	410,881	419,424
Richmond Place	3.00%	2016	Maturity Date	500,000	500,000
Development Department	0.00%	2019	Maturity Date	382,624	382,624
Mulnomah Manor	6.75%	2034	Monthly	1,225,223	1,247,229
Turning Point	3.81%	2032	Monthly	432,400	446,066
Willow Tree	4.42%	2036	Monthly	685,353	701,061
Helen Swindells	8.75%	2014	Monthly	-	249,546
Cambridge Court	8.50%	2017	Monthly	150,150	174,100
Cambridge Court	1.00%	2032	Cash Flow	543,711	538,430
Cambridge Court	0.00%	2032	Cash Flow	397,753	397,753
Dawson Park	3.00%	2022	Cash Flow	545,227	479,526
Fenwick Apts	3.77%	2025	Monthly	1,390,306	1,427,567
Fenwick Apts	0.00%	Sale of Property	Cash Flow	1,180,211	1,180,211
Fenwick Apts	3.00%	2034	Monthly	171,589	176,781
Helen Swindells	3.00%	2023	Cash Flow	1,483,870	1,483,870
Helen Swindells	3.00%	2023	Cash Flow	600,451	600,451
Kelly Place	5.39%	2028	Monthly	411,847	-
James Hawthorne	0.00%	Sale of Property	Cash Flow	5,728,950	5,728,950
North Interstate	0.00%	Sale of Property	Cash Flow	929,905	929,905
North Interstate	3.00%	2032	Monthly	-	82,094
Pearl Court	3.00%	2027	Monthly	1,032,123	1,088,606
Peter Paulson	7.91%	2024	Cash Flow	1,021,301	1,021,301
Peter Paulson	0.50%	2024	Cash Flow	250,000	250,000
Peter Paulson	0.00%	2024	Cash Flow	689,636	689,635
Schiller Way	0.00%	Sale of Property	Cash Flow	505,351	507,249
Sequoia Square	0.00%	2040	Cash Flow	514,486	516,181
St Francis LP	0.00%	Sale of Property	Cash Flow	5,308,681	5,308,681
SW 45th (Carriage Hill Apts)	0.00%	Sale of Property	Cash Flow	186,360	192,975
Forward				\$ 27,507,749	\$ 27,594,268

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

<b>Property</b>	<b>March 31, 2011 Interest Rate</b>	<b>Final Maturity Date*</b>	<b>Payment Terms</b>	<b>2012</b>	<b>2011</b>
Forward balance from previous page				\$ 27,507,749	\$ 27,594,268
SW 45th (Carriage Hill Apts)	3.00%	2032	Monthly	39,722	41,095
Willow Tree	3.00%	2035	Monthly	178,312	182,993
Fairview Oaks & Woods	3.58%	2041	Monthly	12,125,600	11,433,659
Rockwood Station	3.58%	2041	Monthly	4,870,700	4,592,756
Hawthorn Home	6.00%	2029	Monthly	58,265	60,109
Madison Home	6.00%	2029	Monthly	58,107	59,959
North Interstate	6.00%	2033	Monthly	498,125	509,242
Project Open Door	1.75%	2027	Monthly	259,004	273,250
Russell Street House	8.97%	2018	Monthly	25,493	28,460
Taylor Home	7.00%	2029	Monthly	54,135	55,686
Ashcreek Commons**	1.60%	2014	Monthly	2,165,516	2,218,280
Plaza Townhomes	7.00%	2015	Monthly	279,556	342,555
Ainsworth Court	0.00%	2052	Cash Flow	1,260,668	-
Madrona Apartments	7.25%	2032	Monthly	1,122,905	-
N4C - Loan A	5.88%	2012	Monthly	8,800,000	8,800,000
N4C - Loan B	2.00%	2036	Annual	1,693,292	1,693,292
N4C - Loan C	2.00%	2012	Annual	295,655	591,309
				<u>61,292,803</u>	<u>58,476,913</u>
Less: Current portion of notes payable				<u>(9,784,364)</u>	<u>(924,325)</u>
Total notes payable				<u>\$ 51,508,439</u>	<u>57,552,588</u>

\* NOTE: Calendar year of final maturity date

\*\*NOTE: All notes payables issuance are fixed rate except for Ashcreek Commons, a variable rate debt issuance. The interest rate for Ashcreek Commons was 1.60% and 1.66% at March 31, 2012 and 2011, respectively.

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 9.38% with maturities due up through 2052 except for certain equity gap notes, which are not payable unless the property is sold.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

The N4C notes include a \$2,069,579 loan issued by Enterprise Social Investment Corporation that will be forgiven in one-seventh increments per year over a seven-year period, ending in 2012. A summary of activity of Home Forward's notes payable for 2012 and 2011 is as follows:

<u>Balance</u> <u>April 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>March 31, 2012</u>
\$ 58,476,913	\$ 19,868,798	\$ (17,052,908)	\$ 61,292,803

  

<u>Balance</u> <u>April 1, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>March 31, 2011</u>
\$ 60,657,434	\$ 2,171,668	\$ (4,352,189)	\$ 58,476,913

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

Fiscal year ending <u>March 31:</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 9,784,364	\$ 1,610,293
2014	2,832,022	1,273,357
2015	754,821	1,207,174
2016	768,084	1,173,131
2017	1,230,681	1,437,620
2018-2022	5,234,299	5,209,784
2023-2027	9,296,319	3,993,540
2028-2032	4,830,537	2,437,134
2033-2037	3,790,761	1,599,767
2038-2042	3,773,716	1,002,821
2043-2047	3,897,072	364,983
Thereafter	15,100,127	-
Total	<u>\$ 61,292,803</u>	<u>\$ 21,309,604</u>

Amounts presented as "thereafter" are equity gap housing notes with no payoff date.

For the variable rate debt, the March 31, 2012 interest rate, as provided above, was used for the future interest calculation.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

**12. BONDS PAYABLE**

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

<b>Bond Issue</b>	<b>Bond Type</b>	<b>Interest Rate at March 31,</b>		<b>Final Maturity Date*</b>	<b>Final</b>	
		<b>2012</b>	<b>2011</b>		<b>2012</b>	<b>2011</b>
Ainsworth Court Series A	Fixed	5.70%	5.70%	2028	\$ 2,635,000	\$ 2,735,000
Capital Fund Program, Series A	Fixed	4.51%	4.49%	2025	4,230,000	4,550,000
New Market West	Variable	0.30%	0.35%	2035	2,280,000	2,350,000
St. Johns Woods Series A	Fixed	5.26%	5.26%	2029	3,075,000	3,185,000
St. Johns Woods Series B	Fixed	5.20%	5.20%	2029	355,000	445,000
Pearl Court	Fixed	4.47%	4.45%	2027	5,075,000	5,310,000
Dawson Park	Fixed	6.70%	6.70%	2026	1,815,000	1,890,000
					19,465,000	20,465,000
Less current portion of bonds payable					(970,000)	(930,000)
					18,495,000	19,535,000
Less unamortized discounts					(70,651)	(75,101)
Total					\$ 18,424,349	\$ 19,459,899

\* NOTE: Calendar year of final maturity date

Unamortized discounts relate to all issuances except for Capital Fund Program Series A, New Market West and St. Johns Woods Series B.

On July 26, 2010, the Pine Square Apartment building was sold. Pine Square's sale proceeds were transferred to Pine Square's Trustee, Wells Fargo Corporate Trust (Wells Fargo). Wells Fargo placed the sale proceeds and Pine Square's debt service funds into a defeasance escrow account. The defeasance escrow account will pay the Pine Square's scheduled principal and interest bond payments thru January 1, 2013. The Pine Square interest differential was calculated at the time of the sale. The interest differential is the total of the remaining unamortized bond costs and discounts, and interest differential between interest earned from the sale proceeds and interest paid on the Pine Square Bond. The interest differential was calculated \$1,094,955. The interest differential is being amortized as interest expense until January 1, 2013. Remaining defeased bonds outstanding were \$5,390,000 at March 31, 2012.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

A summary activity of Home Forward's bonds payable for 2012 and 2011 is as follows:

<u>Balance</u> <u>April 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>March 31, 2012</u>
\$ 20,465,000	\$ -	\$ (1,000,000)	\$ 19,465,000
<u>Balance</u> <u>April 1, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>March 31, 2011</u>
\$ 19,565,000	\$ 7,485,000	\$ (6,585,000)	\$ 20,465,000

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

Fiscal year ending <u>March 31:</u>	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 970,000	\$ 874,280
2014	1,020,000	831,131
2015	1,070,000	785,484
2016	1,115,000	737,404
2017	1,010,000	686,830
2018 - 2022	5,825,000	2,671,146
2023 -2027	6,725,000	1,122,485
2028 - 2032	1,340,000	56,101
2033 - 2037	390,000	405
Total	<u>\$ 19,465,000</u>	<u>\$ 7,765,266</u>

For the variable rate debt, the March 31, 2012 interest rate, as provided above, was used for the future interest calculation.

**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 18) 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.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

Bonds payable—partnerships and the corresponding notes receivable—partnerships consist of the following at March 31:

Partnership	Bond Type	Interest Rate at March 31,		Final Maturity Date*	Final	
		2012	2011		2012	2011
RAC Housing Limited Partnership	Variable	N/A	0.25%	2012	\$ -	\$ 23,155,000
Lovejoy Station Limited Partnership	Fixed	5.96%	5.96%	2033	11,175,000	11,420,000
Civic Redevelopment Limited Partnership	Variable	0.16%	0.26%	2038	7,800,000	7,800,000
Trouton Limited Partnership	Variable	0.21%	0.28%	2037	5,955,000	6,065,000
Union Station, A LIH Limited Partnership	Fixed	4.72%	4.70%	2029	5,585,000	5,785,000
Columbia Street Limited Partnership	Fixed	4.72%	4.70%	2031	4,315,000	4,435,000
Clay Street Limited Partnership	Fixed	4.72%	4.70%	2031	3,705,000	3,805,000
Cecelia Limited Partnership	Variable	0.21%	0.30%	2035	3,685,000	3,760,000
Fountain Place Limited Partnership	Fixed	5.80%	5.80%	2034	2,832,958	2,889,382
Humboldt Gardens Limited Partnership	Fixed	6.17%	6.17%	2040	960,000	975,000
					46,012,958	70,089,382
Less current portion					(960,290)	(24,076,424)
Total					\$ 45,052,668	\$ 46,012,958

\* NOTE: calendar year of final maturity date

A summary activity of Home Forward's bonds payable for 2012 and 2011 is as follows:

Balance April 1, 2011	Increase	Decrease	Balance March 31, 2012
\$ 70,089,382	\$ -	\$ (24,076,424)	\$ 46,012,958
Balance April 1, 2010	Increase	Decrease	Balance March 31, 2011
\$ 78,443,022	\$ -	\$ (8,353,640)	\$ 70,089,382

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

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

Fiscal year ending March 31:	Bond Payable - Tax Credit Partnership	
	Principal	Interest
2013	\$ 960,290	\$ 1,588,127
2014	1,018,933	1,544,217
2015	1,067,795	1,497,716
2016	1,126,476	1,488,871
2017	1,181,210	1,396,737
2018 - 2022	6,895,529	6,092,534
2023 - 2027	8,360,854	4,274,933
2028 - 2032	9,969,055	1,955,779
2033 - 2037	7,052,816	217,325
2038 - 2042	8,380,000	16,887
Total	<u>\$ 46,012,958</u>	<u>\$ 20,073,126</u>

For the variable rate debt, the March 31, 2012 interest rate, as provided above, was used for the future interest calculation.

#### 14. ADDITIONAL BONDS PAYABLE INFORMATION

Currently outstanding are variable rate demand bonds and notes issued by Home Forward on its New Market West headquarters building, and five separate projects: Ashcreek, Cecelia Limited Partnership (Cecelia), Trouton Limited Partnership (Trouton), Civic Limited Partnership, and RAC Housing Limited Partnership (RAC).

The bonds for each have the following common characteristics:

- Letters of Credit (LOC) have been issued by Wells Fargo Bank (NMW and RAC) and Bank of America Securities (Cecelia and Trouton), equal to the amounts outstanding on the bonds plus one interest payment, priced at 1.0% and 2.0% for NMW and RAC Housing, respectively, and 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. Ashcreek 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.
- Interest rates 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, NMW, RAC). Ashcreek 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.



**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

In conjunction with the sale of Cecelia and Trouton bonds and the Ashcreek note, 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 Ashcreek note was modified with an extended maturity date of March 2014. The variable rate on the note was 1.60% and 1.66%, at March 31, 2012 and 2011, respectively. The swap instrument is at 2.5% on a notional amount of \$2.17 million for which Home Forward received 84% of the 30 day LIBOR rate. The fair value of the swap was a liability of \$94,903 and \$88,645 as of March 31, 2012 and 2011, respectively.

The Cecelia bonds mature in 2035. The variable rate on the bonds was 0.21% and 0.30% as of March 31, 2012 and 2011, respectively. The swap instrument associated with the remaining bonds matures July 1, 2021 and is fixed at 4.39% on a notional amount of \$3.69 million for which Home Forward receives the 30 day SIFMA rate. The fair value of the swap was a liability of \$776,083 and \$499,653 as of March 31, 2012 and 2011, respectively.

The Trouton bonds mature in 2038. The variable rate on the bonds was 0.21% and 0.28% as of March 31, 2012 and 2011, respectively. The swap instrument associated with the remaining bonds matures July 1, 2022 and is fixed at 4.188% on a notional amount of \$5.96 million for which Home Forward receives the 30 day SIFMA rate. The fair value of the swap was a liability of \$1,185,490 and \$699,039 as of March 31, 2012 and 2011, respectively.

The fair value of the swap instruments are calculated from proprietary models using a mid-market basis. The change in fair market value of Home Forward's swap transactions for the years ended March 31, 2012 and March 31, 2011 was a decrease of \$769,139 and \$134,987, respectively. The offset to derivative instruments liability is reflected as Deferred Outflows on Derivative Instruments.

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

- *Credit risk* - The aggregate fair value of the swaps represents Home Forward's credit exposure to the counterparties as of March 31, 2012 and 2011. Should the counterparties fail to perform according to the terms of the swap contracts, Home Forward faced a maximum potential loss equal to the aggregate fair value of the swap. At March 31, 2012 and 2011, Home Forward did not face a credit risk because the swap instruments had a negative value. To minimize the potential of credit risk, Home Forward engages with counterparties with ratings of A/A2 or higher. Any counterparty with a credit rating that falls below this is required to use a credit support annex to document swap termination valuation collateralization. As of March 31, 2012 and 2011, Home Forward was engaged with counterparties with ratings of A/A2 or higher.
- *Basis risk* – For the Ashcreek swap, Home Forward has chosen a variable index based on percentage of LIBOR plus a spread which has historically approximated the variable rates payable on the related bonds. However Home Forward is subject to the risk that a change in the relationship between the LIBOR-based swap rate and the variable rates would cause a material mismatch between the two rates. This risk is minimized for the Cecelia 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.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

- *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 Ashcreek bond terminates in March 2014, on the same date as the final bond payment.
- *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 more costly. The ability to sell auction rate securities in an auction may be adversely affected if there are not sufficient buyers willing to purchase all the auction rate securities 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 Employee’s Retirement System (“OPERS.”) OPERS, a component unit 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 OPERS 2011 Comprehensive Annual Financial Report:

*The Oregon Public Employees Retirement System (OPERS or “the System”) provides statewide defined benefit and defined contribution retirement plans for units of state government, political subdivisions, community colleges, and school districts. OPERS 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, OPERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. OPERS members retain their existing OPERS accounts, but member contributions are now deposited into the member’s IAP account, not into the member’s OPERS account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of OPERS and is administered by the Board. The OPERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.*

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

**OPERS Pension (Defined Benefits)**

Home Forward is a participant of the OPERS pension program, an agent multiple-employer plan for those employees hired prior to August 29, 2003. OPERS benefits, as described by the OPERS 2011 Comprehensive Annual Financial Report are as follows:

***Pension Benefits***

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

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

***Death Benefits***

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

- the member was employed by an OPERS employer at the time of death,*
- the member died within 120 days after termination of OPERS-covered employment,*
- the member died as a result of injury sustained while employed in an OPERS-covered job, or*
- the member was on an official leave of absence from an OPERS-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 OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) 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.*

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

*Monthly benefits are adjusted annually through cost-of-living changes. Two percent per year is the maximum cost-of-living adjustment.*

**OPSRP Pension Programs**

Home Forward is a participant of the OPSRP pension programs, a hybrid defined benefit/defined contribution plan for those employees hired after August 29, 2003. OPSRP benefits, as described by the OPERS 2011 Comprehensive Annual Financial Report are as follows:

**OPSRP Pension Benefits (Defined Benefit)**

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

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

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

**Death Benefits**

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

**Disability Benefits**

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

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

**Pension Benefits**

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

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

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

***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 OPERS 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 employees' required contribution. Additionally, employers are required to contribute actuarially computed amounts as determined by OPERS on actuarial valuations performed at least every two years. Rates are subject to change as a result of subsequent actuarial valuations and legislative actions.

Employer contribution rates in effect July 1, 2011 to June 30, 2013 are:

<b>Actuarial Period Ending</b>	<b>Tier 1/ Tier 2</b>	<b>OPSRP</b>
Pension contribution rate	9.92%	7.87%
Retiree healthcare rate	0.59%	0.50%
Total employer contribution	<u>10.51%</u>	<u>8.37%</u>

Employer contribution rates in effect July 1, 2009 to June 30, 2011 were:

<b>Actuarial Period Ending</b>	<b>Tier 1/ Tier 2</b>	<b>OPSRP</b>
Pension contribution rate	7.80%	8.85%
Retiree healthcare rate	0.29%	0.19%
Total employer contribution	<u>8.09%</u>	<u>9.04%</u>

The amount to be contributed by Home Forward for the years ended March 31, 2012, 2011, and 2010 was approximately, \$2,195,000, \$1,968,000, and \$1,964,000, respectively, which represents the required contributions for both the employee and the employer in each of the years presented. The balance of OPERS payable as of March 31, 2012, 2011, and 2010, respectively, was \$208,547 and \$181,747, and \$159,332, respectively. This balance is recorded in other accrued liabilities on the financial statement.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

<b>Actuarial Period Ending</b>	<b>Required Employer Contributions</b>	<b>Required Employee Contributions</b>	<b>Contributions Paid</b>	<b>Contributions to Required Contributions</b>	<b>Balance of OPERS Payable</b>
3/31/2012	\$ 1,329,031	\$ 865,673	\$ 2,167,904	99%	\$ 208,547
3/31/2011	1,157,193	810,643	1,945,421	99%	181,747
3/31/2010	1,192,967	770,589	1,987,868	101%	159,332

**Other Postemployment Healthcare Benefits**

***Retirement Health Insurance Account (RHIA)***

As a member of OPERS, 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 OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statutes (ORS) 238.420 established this trust fund. The Oregon legislature has the ability to establish and amend the benefit provisions of the RHIA. The plan closed to new entrants after August 29, 2003.

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

Employer contributions are advance-funded on an actuarially determined basis. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. Participating employees are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual covered OPERS payroll and 0.50% of OPSRP payroll. The OPERS board sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Home Forward's contributions to RHIA for the years ended March 31, 2012, 2011 and 2010 were approximately, \$124,000, \$67,000, and \$67,000, respectively.

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

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

As Home Forward pays none of premium of health insurance coverage for retirees from age 58 to 65, Home Forward has not established and does not intend to establish a trust fund to supplement the costs for other post-employment benefit obligation related to this implicit benefit. Home Forward's regular health care benefit providers underwrite the retirees'

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

policies. Retirees may not convert the benefit into an in lieu payment to secure coverage under independent plans. At March 31, 2012, there were 8 retirees and/or surviving spouses receiving the post-employment implicit healthcare benefit.

Home Forward's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the guidelines of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

<u>Actuarial Period Ending</u>	<u>Required Contributions</u>	<u>Contributions Paid</u>	<u>Contributions to Required Contributions</u>	<u>Balance of PERS Payable</u>
3/31/2012	\$ 90,677	\$ 35,653	39%	\$ 270,833
3/31/2011	91,633	37,109	40%	215,809
3/31/2010	116,132	35,892	31%	161,285

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Annual required contribution	\$ 94,461	\$ 94,461
Interest on NET OPEB obligation	7,553	5,645
Adjustment to ARC for NET OPEB obligation	(11,337)	(8,473)
Annual OPEB cost	<u>90,677</u>	<u>91,633</u>
Contributions made	<u>(35,653)</u>	<u>(37,109)</u>
Increase in net OPEB obligation	<u>55,024</u>	<u>54,524</u>
Net OPEB Obligation - beginning of year	215,809	161,285
Net OPEB Obligation - end of year	<u>\$ 270,833</u>	<u>\$ 215,809</u>

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2011	\$ -	\$ 912,321	\$ 912,321	0%	\$ 13,500,000	7%

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve the estimated value of reported amounts and assumptions about the probability of occurrence of events into the future. The status of funding levels and annual required contributions of the employer are subject to ongoing review and updates based on past history and revised assumptions of future events. These include assumptions about earnings rates, healthcare cost trends, project life expectancy of plan members, withdrawals, retirements, etc. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility, and are subject to revisions as a result of past experience and new estimates about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

statements, presents trend information on the actuarial value of plan assets compared to actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions for PERS/OPSRP/RHIA***

Certain actuarial methods and assumptions for PERS, OPSRP and RHIA from the provided actuarial report ended December 31, 2010 and December 31, 2009 and used to calculate the above activity, includes:

Actuarial cost method	Projected unit credit
Asset valuation method	Market value of assets
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare UAL are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, the amortization period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the odd-year valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the odd-year valuation in which they are first recognized
Investment return	8.0% compounded annually on system assets
Interest crediting	8.0% compounded annually on members' regular account balances 8.25% in 2010 and 8.5% in 2009 compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year
Future general wage inflation	3.75% per year
Healthcare cost inflation	Graded from 7.0% in 2010 to 4.5% in 2029

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

Certain actuarial assumptions for the Implicit Benefit subsidy calculation are from the actuarial report ended March 31, 2011 and used to calculate the above activity includes:

Actuarial cost method	Entry Age Normal Cost Method
Asset valuation method	Investment return assumption equal to expectation of Home Forward's own investment funds
Investment return	3.5% compounded annually on system assets
Interest rate discount	3.00% per year
Medical cost annual trend rate	7% to 8% initial increase, reducing to 5% over 4 to 6 years
Dental cost annual trend rate	5% to 8% initial increase, reducing to 3% over 4 to 6 years



**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

**16. 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 \$17,000 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.

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years ended March 31, 2012 and 2011

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

The Authority is the General Partner and holds a 0.01% to 1% interest in each of the following limited partnerships (see Note 2 and Note 7). Summarized partnership information as of and for the year ended December 31, 2011 is as follows:

	<u>Lovejoy Station</u>	<u>Union Station A LIH</u>	<u>St. Francis</u>	<u>Cecilia</u>	<u>Trouton</u>	<u>Woolsey</u>	<u>Civic Redevelopment</u>	<u>Humboldt Gardens</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 523,557	\$ 498,261	\$ 15,309	\$ 367,431	\$ 283,600	\$ 591,063	\$ 145,241	\$ 177,317
Cash and cash equivalents - restricted	712,491	501,093	602,605	995,620	1,090,807	891,017	922,125	1,385,532
Investments (Restricted)- Short Term	1,247,709	-	-	-	-	-	-	-
Accounts receivables and other assets	35,704	14,468	111,837	47,039	80,149	32,249	16,643	33,762
Investments (Restricted)- Long Term	-	472,680	-	-	-	-	-	-
Deferred charges - net	379,453	149,653	84,200	231,884	665,678	168,776	851,642	280,675
Capital assets - net	12,965,888	5,861,164	9,826,455	16,690,192	37,495,274	17,509,911	17,851,817	28,616,888
<b>TOTAL</b>	<b>\$ 15,864,803</b>	<b>\$ 7,497,319</b>	<b>\$ 10,640,406</b>	<b>\$ 18,332,166</b>	<b>\$ 39,615,508</b>	<b>\$ 19,193,016</b>	<b>\$ 19,787,469</b>	<b>\$ 30,494,174</b>
<b>LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)</b>								
<b>LIABILITIES:</b>								
Current liabilities	\$ 1,389,356	\$ 623,853	\$ 572,655	\$ 328,010	\$ 496,475	\$ 180,057	\$ 1,014,033	\$ 136,470
Long-term liabilities	15,115,359	6,811,221	8,122,759	14,803,392	32,553,221	4,949,310	14,525,275	20,484,371
<b>PARTNERS' CAPITAL (DEFICIT)</b>	<b>(639,912)</b>	<b>62,245</b>	<b>1,944,992</b>	<b>3,200,764</b>	<b>6,565,812</b>	<b>14,063,649</b>	<b>4,248,161</b>	<b>9,873,333</b>
<b>TOTAL</b>	<b>\$ 15,864,803</b>	<b>\$ 7,497,319</b>	<b>\$ 10,640,406</b>	<b>\$ 18,332,166</b>	<b>\$ 39,615,508</b>	<b>\$ 19,193,016</b>	<b>\$ 19,787,469</b>	<b>\$ 30,494,174</b>
Operating revenues	\$ 1,843,365	\$ 1,287,136	\$ 1,288,441	\$ 1,086,108	\$ 2,016,109	\$ 980,188	\$ 1,246,444	\$ 906,175
Operating expenses	(1,112,230)	(1,091,300)	(1,011,871)	(1,728,412)	(3,510,954)	(1,796,776)	(1,411,914)	(2,008,944)
Operating income (loss)	731,135	195,836	276,570	(642,304)	(1,494,845)	(816,588)	(165,470)	(1,102,769)
Nonoperating revenues	59,993	9,302	899	1,703	1,613	2,986	2,389	2,328
Nonoperating expenses	(827,323)	(292,974)	(239,921)	(302,417)	(478,401)	(201,252)	(1,421,396)	(260,295)
Loss before capital contributions	(36,195)	(87,836)	37,548	(943,018)	(1,971,633)	(1,014,854)	(1,584,477)	(1,360,736)
Partner contributions	-	-	-	-	-	-	-	-
Change in net assets	\$ (36,195)	\$ (87,836)	\$ 37,548	\$ (943,018)	\$ (1,971,633)	\$ (1,014,854)	\$ (1,584,477)	\$ (1,360,736)

(continued)

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years ended March 31, 2012 and 2011

	<u>1115 SW 11th Avenue</u>	<u>RAC Housing*</u>	<u>All other partnerships</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 209,633	\$ 1,691,954	\$ 1,110,696	\$ 5,614,062
Cash and cash equivalents - restricted	509,122	911,528	2,976,071	11,498,011
Investments (Restricted)- Short Term	-	-	64,274	1,311,983
Accounts receivables and other assets	(79,669)	301,462	511,837	1,105,481
Investments (Restricted)- Long Term	-	-	672,225	1,144,905
Deferred charges - net	56,746	97,242	621,100	3,587,049
Capital assets - net	<u>15,485,651</u>	<u>37,216,824</u>	<u>51,214,617</u>	<u>250,734,682</u>
<b>TOTAL</b>	<u><u>\$ 16,181,483</u></u>	<u><u>\$ 40,219,010</u></u>	<u><u>\$ 57,170,820</u></u>	<u><u>\$ 274,996,173</u></u>
<b>LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)</b>				
<b>LIABILITIES:</b>				
Current liabilities	\$ 90,982	\$ 23,510,489	\$ 3,811,691	\$ 32,154,071
Long-term liabilities	12,473,765	7,193,645	45,221,789	182,254,107
<b>PARTNERS' CAPITAL (DEFICIT)</b>	<u>3,616,736</u>	<u>9,514,876</u>	<u>8,137,339</u>	<u>60,587,995</u>
<b>TOTAL</b>	<u><u>\$ 16,181,483</u></u>	<u><u>\$ 40,219,010</u></u>	<u><u>\$ 57,170,819</u></u>	<u><u>\$ 274,996,173</u></u>
Operating revenues	\$ 739,446	\$ 529,515	\$ 5,854,554	\$ 17,777,481
Operating expenses	<u>(1,171,019)</u>	<u>(2,323,353)</u>	<u>(6,523,591)</u>	<u>(23,690,364)</u>
Operating income (loss)	<u>(431,573)</u>	<u>(1,793,838)</u>	<u>(669,037)</u>	<u>(5,912,883)</u>
Nonoperating revenues	967	1,060	(50,670)	32,570
Nonoperating expenses	<u>(266,603)</u>	<u>(347,906)</u>	<u>(1,547,358)</u>	<u>(6,185,846)</u>
Loss before capital contributions	<u>(697,209)</u>	<u>(2,140,684)</u>	<u>(2,267,065)</u>	<u>(12,066,159)</u>
Partner contributions	<u>3,937,662</u>	<u>3,721,993</u>	<u>171,000</u>	<u>7,830,655</u>
Change in net assets	<u><u>\$ 3,240,453</u></u>	<u><u>\$ 1,581,309</u></u>	<u><u>\$ (2,096,065)</u></u>	<u><u>\$ (4,235,504)</u></u>

\* Audited for the period from inception at March 19, 2008 to December 31, 2011

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years ended March 31, 2012 and 2011

The Authority is the General Partner and holds a 0.01% to 1% interest in each of the following limited partnerships (see Note 2 and Note 7.) Summarized partnership information as of and for the year ended December 31, 2010 is as follows:

	<b>Lovejoy Station</b>	<b>Union Station A LIH</b>	<b>St. Francis</b>	<b>Cecilia</b>	<b>Trouton</b>	<b>Woolsey</b>	<b>Civic Redevelopment</b>	<b>Humboldt Gardens</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 532,549	\$ 461,634	\$ 13,405	\$ 389,758	\$ 336,709	\$ 507,488	\$ 58,216	\$ 877,813
Cash and cash equivalents - restricted	684,824	486,381	563,729	957,362	1,065,516	848,533	736,202	884,954
Investments (Restricted)- Short Term	1,283,638	-	-	-	-	-	-	-
Accounts receivables and other assets	32,090	7,246	119,499	79,927	102,961	53,345	20,621	105,762
Investments (Restricted)- Long Term	-	472,680	-	-	-	-	-	-
Deferred charges - net	399,707	160,129	90,901	243,925	695,209	179,719	891,012	294,601
Capital assets - net	13,348,382	6,233,318	10,307,414	17,601,974	39,450,741	18,534,649	18,667,814	29,745,395
<b>TOTAL</b>	<b>\$ 16,281,191</b>	<b>\$ 7,821,388</b>	<b>\$ 11,094,948</b>	<b>\$ 19,272,946</b>	<b>\$ 41,651,136</b>	<b>\$ 20,123,734</b>	<b>\$ 20,373,864</b>	<b>\$ 31,908,525</b>
<b>LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)</b>								
<b>LIABILITIES:</b>								
Current liabilities	\$ 1,357,704	\$ 569,635	\$ 754,807	\$ 278,149	\$ 615,349	\$ 299,657	\$ 1,028,053	\$ 516,234
Long-term liabilities	15,527,204	7,101,672	8,432,697	14,851,015	32,498,342	4,745,574	13,513,173	20,158,222
<b>PARTNERS' CAPITAL (DEFICIT)</b>	<b>(603,717)</b>	<b>150,081</b>	<b>1,907,444</b>	<b>4,143,782</b>	<b>8,537,445</b>	<b>15,078,503</b>	<b>5,832,638</b>	<b>11,234,069</b>
<b>TOTAL</b>	<b>\$ 16,281,191</b>	<b>\$ 7,821,388</b>	<b>\$ 11,094,948</b>	<b>\$ 19,272,946</b>	<b>\$ 41,651,136</b>	<b>\$ 20,123,734</b>	<b>\$ 20,373,864</b>	<b>\$ 31,908,525</b>
Operating revenues	\$ 1,828,274	\$ 1,243,084	\$ 978,256	\$ 1,043,799	\$ 1,936,614	\$ 944,926	\$ 1,114,140	\$ 866,406
Operating expenses	(1,104,219)	(1,074,642)	(974,968)	(1,721,296)	(3,415,883)	(1,808,146)	(1,397,745)	(1,940,203)
Operating income (loss)	724,055	168,442	3,288	(677,497)	(1,479,269)	(863,220)	(283,605)	(1,073,797)
Nonoperating revenues	64,714	19,009	1,201	5,553	8,008	4,801	3,906	3,902
Nonoperating expenses	(845,243)	(313,366)	(229,580)	(309,783)	(483,967)	(203,050)	(801,798)	(261,790)
Loss before capital contributions	(56,474)	(125,915)	(225,091)	(981,727)	(1,955,228)	(1,061,469)	(1,081,497)	(1,331,685)
Partner contributions	-	-	-	-	1,034,985	1,414,555	1,671,530	3,857,411
Prior Period Adjustment	-	-	-	-	-	-	(368,351)	-
Change in net assets	\$ (56,474)	\$ (125,915)	\$ (225,091)	\$ (981,727)	\$ (920,243)	\$ 353,086	\$ 221,682	\$ 2,525,726

(continued)

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years ended March 31, 2012 and 2011

	<u>1115 SW 11th Avenue</u>	<u>RAC Housing*</u>	<u>All other partnerships</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 111,277	\$ 1,735,781	\$ 1,164,804	\$ 6,189,434
Cash and cash equivalents - restricted	100,018	8,381,591	2,526,939	17,236,049
Investments (Restricted)- Short Term	-	-	285,099	1,568,737
Accounts receivables and other assets	20,586	439,420	515,747	1,497,204
Investments (Restricted)- Long Term	-	-	672,225	1,144,905
Deferred charges - net	195,402	102,412	656,880	3,909,897
Capital assets - net	15,945,617	33,283,791	53,642,856	256,761,951
<b>TOTAL</b>	<u>\$ 16,372,900</u>	<u>\$ 43,942,995</u>	<u>\$ 59,464,551</u>	<u>\$ 288,308,177</u>
<b>LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)</b>				
<b>LIABILITIES:</b>				
Current liabilities	\$ 816,473	\$ 31,990,132	\$ 3,763,216	\$ 41,989,409
Long-term liabilities	15,180,144	4,019,296	45,467,930	181,495,269
<b>PARTNERS' CAPITAL (DEFICIT)</b>	<u>376,283</u>	<u>7,933,567</u>	<u>10,233,404</u>	<u>64,823,499</u>
<b>TOTAL</b>	<u>\$ 16,372,900</u>	<u>\$ 43,942,995</u>	<u>\$ 59,464,550</u>	<u>\$ 288,308,177</u>
Operating revenues	\$ 285,811	\$ -	\$ 6,277,885	\$ 16,519,195
Operating expenses	(607,038)	(20,637)	(6,858,260)	(20,923,037)
Operating income (loss)	<u>(321,227)</u>	<u>(20,637)</u>	<u>(580,375)</u>	<u>(4,403,842)</u>
Nonoperating revenues	313	536	60,410	172,353
Nonoperating expenses	(375,029)	-	(1,783,360)	(5,606,966)
Loss before capital contributions	<u>(695,943)</u>	<u>(20,101)</u>	<u>(2,303,325)</u>	<u>(9,838,455)</u>
Partner contributions	(27,832)	6,500,888	6,186,144	20,637,681
Prior Period Adjustment	-	-	-	(368,351)
Change in net assets	<u>\$ (723,775)</u>	<u>\$ 6,480,787</u>	<u>\$ 3,882,819</u>	<u>\$ 10,430,875</u>

\* Unaudited

**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

***Summarized Capital assets – Discretely presented component units***

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

	<b>Balance December 31, 2010</b>	<b>Additions and transfers in</b>	<b>Disposals and transfers out</b>	<b>Balance December 31, 2011</b>
Land	\$ 13,897,871	\$ 7,098	\$ -	\$ 13,904,969
Construction in progress	33,440,983	8,481,703	(41,899,892)	22,794
Total capital assets not being depreciated	<u>47,338,854</u>	<u>8,488,801</u>	<u>(41,899,892)</u>	<u>13,927,763</u>
Buildings and improvements	264,665,018	34,440,538	(202,684)	298,902,872
Equipment	7,294,263	4,541,277	(9,088)	11,826,452
	<u>271,959,281</u>	<u>38,981,815</u>	<u>(211,772)</u>	<u>310,729,324</u>
Less: Accumulated depreciation	<u>(62,536,184)</u>	<u>(11,495,284)</u>	<u>109,063</u>	<u>(73,922,405)</u>
Total capital assets being depreciated	<u>209,423,097</u>	<u>27,486,531</u>	<u>(102,709)</u>	<u>236,806,919</u>
Total capital assets, net	<u><u>\$ 256,761,951</u></u>	<u><u>\$ 35,975,332</u></u>	<u><u>\$ (42,002,601)</u></u>	<u><u>\$ 250,734,682</u></u>
	<b>Balance December 31, 2009</b>	<b>Additions and transfers in</b>	<b>Disposals and transfers out</b>	<b>Balance December 31, 2010</b>
Land	\$ 9,752,478	\$ 5,050,000	\$ (904,607)	\$ 13,897,871
Construction in progress	16,118,142	34,091,030	(16,768,189)	33,440,983
Total capital assets not being depreciated	<u>25,870,620</u>	<u>39,141,030</u>	<u>(17,672,796)</u>	<u>47,338,854</u>
Buildings and improvements	252,548,330	26,251,519	(14,134,831)	264,665,018
Equipment	7,261,380	618,360	(585,477)	7,294,263
	<u>259,809,710</u>	<u>26,869,879</u>	<u>(14,720,308)</u>	<u>271,959,281</u>
Less: Accumulated depreciation	<u>(58,344,302)</u>	<u>(11,384,385)</u>	<u>7,192,503</u>	<u>(62,536,184)</u>
Total capital assets being depreciated	<u>201,465,408</u>	<u>15,485,494</u>	<u>(7,527,805)</u>	<u>209,423,097</u>
Total capital assets, net	<u><u>\$ 227,336,028</u></u>	<u><u>\$ 54,626,524</u></u>	<u><u>\$ (25,200,601)</u></u>	<u><u>\$ 256,761,951</u></u>

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

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

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

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Notes payable - General Partner	\$ 149,582,020	\$ 140,281,818
Mortgages and other housing related notes	46,887,346	56,383,272
Total Notes payable	<u>\$ 196,469,366</u>	<u>\$ 196,665,090</u>

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

<u>Balance</u> <u>December 31, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>December 31, 2011</u>
\$ 196,665,090	\$ 13,688,045	\$ (13,883,769)	\$ 196,469,366

<u>Balance</u> <u>December 31, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>December 31, 2010</u>
\$ 194,026,970	\$ 16,663,097	\$ (14,024,977)	\$ 196,665,090

**18. COMMITMENTS AND CONTINGENCIES**

**Leases** - At March 31, 2012, Home Forward has approximately 8,600 dwelling units under lease to Section 8 landlords. The terms of these leases extend up to one year. Additionally, Home Forward has placed public housing units inside tax credit properties and support these units with public housing subsidy transfers to those properties. Housing assistance payments under these leases or public housing subsidy transfers, including FSS program contributions, for the years ended March 31, 2012 and 2011 were approximately \$67,785,000 and \$65,583,000, respectively.

**Construction Commitments** - At March 31, 2012, Home Forward had construction commitments of approximately \$7,579,000.

**Other Commitments** - N4C has transferred property to the Boys and Girls Club of Portland in accordance with an agreement whereby N4C retains the title to the property until certain conditions are met no later than 2012.

**Contingent Liabilities** - Home Forward has entered into long-term use agreements with the City of Portland, Multnomah County and the State of Oregon in exchange for development funds for group homes and other projects. These agreements expire between 2019 and 2065. Repayment of an amortized portion of these funds is required if Home Forward does not use the properties according to their intended purposes. Home Forward has not and does not intend to violate those agreements. The liability, if recorded, would be approximately \$5,553,000.

**General Partner Operating Deficit Guarantees** - In relation to the performance of the tax credit partnerships for which Home Forward is the general partner, Home Forward has agreed to provide certain levels of funding in the event of partnership operating deficits that exceed operating reserves. The maximum amount required to fund excess operating deficits ranges from zero to the total amount of the excess operating deficit for a single partnership. As of March 31, 2012, no additional liability existed relating to excess operating deficits for any of the partnerships.

**HOME FORWARD**  
NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2012 and 2011

---

**19. RISK MANAGEMENT**

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

Home Forward is a member of the Housing Authorities Risk Retention Pool (“HARRP”), a risk pool currently operating as a common risk management and insurance program for approximately 90 public housing authorities throughout California, Nevada, Oregon and Washington. HARRP is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of predetermined limits for each insured event. Risks insured for public housing properties include blanket coverage for buildings and business personal property of approximately \$260,685,000 and \$7,158,000 respectively. HARRP coverage as of March 31, 2012, includes:

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

For Home Forward owned affordable properties (non-public housing), Home Forward uses Nielsen Insurance and Affordable Housing Risk Pool (“AHRP”), a subsidiary of HARRP, and HARRP to provide commercial insurance.

Nielsen Insurance provides blanket coverage for buildings and business personal property for 8 affordable properties for approximately \$42,483,000 and \$370,200, respectively. Depending on the building, general liability coverage is either \$1,000,000 per incident/\$2,000,000 aggregate or \$2,000,000 per incident/\$4,000,000 aggregate. Additionally, one property has an umbrella liability coverage that increases coverage by \$1,000,000.

AHRP provides general liability coverage for 9 affordable properties for \$2,000,000 per incident/ unlimited aggregate.

HARRP provides blanket coverage for buildings and business personal property for 9 affordable properties for approximately \$68,387,000 and \$270,000, respectively.

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

There have been no significant modifications in coverage in insurance coverage from the previous year and settlements have not exceeded coverage during the last three years. Additionally, Home Forward has no recorded claims liability as of March 31, 2012 and 2011.

**20. RESTATEMENT**

In 2008, Civic Redevelopment Limited Partnership, a discretely presented component unit, entered into an interest rate swap agreement with The Bank of New York Mellon to covert a variable interest rate to a fixed rate on a bond agreement related to the note payable to Home Forward. In prior periods, Civic Redevelopment Limited Partnership did not record the fair value of this derivative instrument. Civic Redevelopment Limited Partnership recorded a prior period adjustment during 2011 to reflect the fair value loss of this derivative instrument in the amount of \$368,651 as of December 31, 2009. As a result the following 2010 and 2009 balances have been restated:



**HOME FORWARD**  
**NOTES TO FINANCIAL STATEMENTS**  
Years Ended March 31, 2012 and 2011

	<b>As previously reported December 31, 2010</b>	<b>As restated December 31, 2010</b>	<b>As previously reported December 31, 2009</b>	<b>As restated December 31, 2009</b>
INCREASE IN NET ASSETS	\$ 10,931,432	\$ 10,799,226	\$ 20,907,257	\$ 20,538,906
NET ASSETS—Beginning of year	<u>54,392,624</u>	<u>54,024,273</u>	<u>33,485,367</u>	<u>33,485,367</u>
NET ASSETS—End of year	<u><u>\$ 65,324,056</u></u>	<u><u>\$ 64,823,499</u></u>	<u><u>\$ 54,392,624</u></u>	<u><u>\$ 54,024,273</u></u>

**21. SUBSEQUENT EVENTS**

In June 2012, N4C issued put options to Portland Public School and Boys and Girls Club of Portland Metropolitan Area, respectively, to sell the land and property of N4C to the two entities on October 29, 2012. Prior to the sale, N4C will convert the current property into separate condominium units. Upon sale, N4C will pay off the \$8.8 million Loan A. Ownership in the legal entities associated with operating the new market tax credit program used to fund N4C will then be put to Home Forward for a nominal purchase price.

Home Forward has evaluated subsequent events through September 27, 2012, the date on which the financial statements were issued. Other than as discussed above, during this period no material subsequent events occurred which would require recognition or disclosure.

\*\*\*\*\*

**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

**HOME FORWARD**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
As of March 31, 2011 and 2010

---

**SCHEDULE OF FUNDING PROGRESS**

Schedule of funding progress presented below provides a consolidated review of Home Forward's ability to meet current and future liabilities with the plan assets.

**Schedule of Funding Progress – OPEB Implicit Benefit subsidy**

The last actuarial report performed as of:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
3/31/2011	\$ -	\$ 912,321	\$ 912,321	0%	\$ 13,500,000	7%
3/31/2010	-	1,115,771	1,115,771	0%	12,200,000	9%
3/31/2009	-	1,022,034	1,022,034	0%	11,200,000	9%

**OTHER SUPPLEMENTARY INFORMATION**

# HOME FORWARD

## COMBINING SCHEDULE OF NET ASSETS/(DEFICIT) - AFFORDABLE HOUSING

As of March 31, 2012

	<u>Grace Peck Terrace</u>	<u>Multnomah Manor</u>	<u>The Plaza</u>	<u>Rosenbaum Plaza</u>	<u>St. Johns Woods</u>	<u>Unthank Plaza</u>	<u>Helen Swindells</u>	<u>Dawson Park</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 4,314,414	\$ (59,778)	\$ (180,738)	\$ 1,653,545	\$ 401,839	\$ 2,510,050	\$ (112,226)	\$ (313,332)
Cash and cash equivalents - Restricted	207,917	287,561	428,550	81,940	33,521	183,513	357,747	386,795
Investments	-	-	-	-	-	-	-	-
Investments - Restricted	-	-	-	-	-	-	-	-
Accounts receivable, net	4,943	(352)	4,561	8,555	1,258	2,007	9,727	407
Interproperty receivable	-	-	-	-	-	-	-	-
Prepaid expenses	2,680	1,004	2,224	3,227	3,868	2,497	13,127	10,929
Current portion of notes receivable-partnerships	-	-	-	-	-	-	-	-
	<u>4,529,954</u>	<u>228,435</u>	<u>254,597</u>	<u>1,747,267</u>	<u>440,486</u>	<u>2,698,067</u>	<u>268,375</u>	<u>84,799</u>
<b>NON-CURRENT ASSETS:</b>								
Investment- Restricted	-	-	-	-	572,239	-	-	-
Due from partnerships, net	-	-	-	-	-	-	-	-
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-
Notes receivable -partnerships	-	-	-	-	-	-	-	-
Deferred charges, net	-	28,007	-	-	86,647	-	8,336	39,863
Investment in partnerships	-	-	-	-	-	-	-	-
Capital assets not being depreciated	157,490	315,722	289,498	57,484	793,538	68,201	432,879	138,456
Capital assets being depreciated, net	556,253	1,696,442	1,401,512	606,187	2,539,345	585,968	2,273,759	1,514,245
	<u>713,743</u>	<u>2,040,171</u>	<u>1,691,010</u>	<u>663,671</u>	<u>3,991,769</u>	<u>654,169</u>	<u>2,714,974</u>	<u>1,692,564</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<u>5,243,697</u>	<u>2,268,606</u>	<u>1,945,607</u>	<u>2,410,938</u>	<u>4,432,255</u>	<u>3,352,236</u>	<u>2,983,349</u>	<u>1,777,363</u>
Deferred outflows on derivative investments	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 5,243,697</u>	<u>\$ 2,268,606</u>	<u>\$ 1,945,607</u>	<u>\$ 2,410,938</u>	<u>\$ 4,432,255</u>	<u>\$ 3,352,236</u>	<u>\$ 2,983,349</u>	<u>\$ 1,777,363</u>

(continued)

# HOME FORWARD

## COMBINING SCHEDULE OF NET ASSETS/(DEFICIT) - AFFORDABLE HOUSING

As of March 31, 2012

	<u>Grace Peck Terrace</u>	<u>Multnomah Manor</u>	<u>The Plaza</u>	<u>Rosenbaum Plaza</u>	<u>St. Johns Woods</u>	<u>Unthank Plaza</u>	<u>Helen Swindells</u>	<u>Dawson Park</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable	\$ 7,960	\$ 3,559	\$ 19,975	\$ 66,270	\$ 18,309	\$ 6,124	\$ 20,732	\$ 10,823
Accrued interest payable	-	6,892	1,631	-	45,209	-	-	50,667
Other accrued liabilities	13,500	10	9,153	12,739	1,456	9,000	1,544	-
Deferred revenue	1,628	4,372	114	2,157	2,043	2,910	2,335	6,294
Deposits, payable from restricted assets	16,068	22,793	18,505	6,699	25,174	13,358	40,309	29,777
Current portion of bonds payable-partnerships	-	-	-	-	-	-	-	-
Current portion of notes and bonds payable	-	23,538	67,553	-	140,000	-	-	80,000
	<u>39,156</u>	<u>61,164</u>	<u>116,931</u>	<u>87,865</u>	<u>232,191</u>	<u>31,392</u>	<u>64,920</u>	<u>177,561</u>
<b>NON-CURRENT LIABILITIES:</b>								
Notes payable	-	1,201,684	212,003	-	-	-	2,084,321	545,227
Bonds payable	-	-	-	-	3,255,527	-	-	1,719,716
Bonds payable-partnerships	-	-	-	-	-	-	-	-
Accrued interest - long-term	-	-	-	-	-	-	1,071,958	15,057
Other liabilities	-	-	-	-	-	-	-	-
	<u>-</u>	<u>1,201,684</u>	<u>212,003</u>	<u>-</u>	<u>3,255,527</u>	<u>-</u>	<u>3,156,279</u>	<u>2,280,000</u>
Derivative instruments	-	-	-	-	-	-	-	-
Total liabilities	<u>39,156</u>	<u>1,262,848</u>	<u>328,934</u>	<u>87,865</u>	<u>3,487,718</u>	<u>31,392</u>	<u>3,221,199</u>	<u>2,457,561</u>
<b>NET ASSETS (DEFICIT)</b>	<u>5,204,541</u>	<u>1,005,758</u>	<u>1,616,673</u>	<u>2,323,073</u>	<u>944,537</u>	<u>3,320,844</u>	<u>(237,850)</u>	<u>(680,198)</u>
<b>TOTAL LIABILITIES AND NET ASSETS/(DEFICIT)</b>	<u>\$ 5,243,697</u>	<u>\$ 2,268,606</u>	<u>\$ 1,945,607</u>	<u>\$ 2,410,938</u>	<u>\$ 4,432,255</u>	<u>\$ 3,352,236</u>	<u>\$ 2,983,349</u>	<u>\$ 1,777,363</u>

# HOME FORWARD

## COMBINING SCHEDULE OF NET ASSETS/(DEFICIT) - AFFORDABLE HOUSING

As of March 31, 2012

	<u>Pearl Court</u>	<u>Fenwick Avenue</u>	<u>Ainsworth Court</u>	<u>Fairview Oaks</u>	<u>Rockwood Station</u>	<u>Pine Square</u>	<u>Willow Tree</u>	<u>Ash Creek</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 669,498	\$ (140,987)	\$ (300,918)	\$ 305,534	\$ 1,225,806	\$ (1,579,821)	\$ (213,467)	\$ (105,692)
Cash and cash equivalents - Restricted	353,010	75,437	50,990	720,452	395,910	-	106,501	52,139
Investments	-	-	-	-	-	-	-	-
Investments - Restricted	-	-	-	-	-	-	-	-
Accounts receivable, net	772	129	3,274	41,190	19,012	-	498	875
Interproperty receivable	-	-	-	-	-	174,860	-	-
Prepaid expenses	12,957	491	4,519	86,059	43,050	375	-	413
Current portion of notes receivable-partnerships	-	-	-	-	-	-	-	-
	<u>1,036,237</u>	<u>(64,930)</u>	<u>(242,135)</u>	<u>1,153,235</u>	<u>1,683,778</u>	<u>(1,404,586)</u>	<u>(106,468)</u>	<u>(52,265)</u>
<b>NON-CURRENT ASSETS:</b>								
Investment- Restricted	475,941	-	485,415	-	-	-	-	-
Due from partnerships, net	-	-	-	-	-	-	-	-
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-
Notes receivable -partnerships	-	-	-	-	-	-	-	-
Deferred charges, net	118,356	17,902	47,601	563,289	260,145	339,813	19,617	21,248
Investment in partnerships	-	-	-	-	-	-	-	-
Capital assets not being depreciated	766,151	292,242	1,116,747	943,432	702,483	-	203,860	398,115
Capital assets being depreciated, net	4,990,069	2,286,108	2,528,821	8,955,878	4,170,009	-	501,633	465,698
	<u>6,350,517</u>	<u>2,596,252</u>	<u>4,178,584</u>	<u>10,462,599</u>	<u>5,132,637</u>	<u>339,813</u>	<u>725,110</u>	<u>885,061</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<u>7,386,754</u>	<u>2,531,322</u>	<u>3,936,449</u>	<u>11,615,834</u>	<u>6,816,415</u>	<u>(1,064,773)</u>	<u>618,642</u>	<u>832,796</u>
Deferred outflows on derivative investments	-	-	-	-	-	-	-	94,903
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 7,386,754</u>	<u>\$ 2,531,322</u>	<u>\$ 3,936,449</u>	<u>\$ 11,615,834</u>	<u>\$ 6,816,415</u>	<u>\$ (1,064,773)</u>	<u>\$ 618,642</u>	<u>\$ 927,699</u>

(continued)

**HOME FORWARD**  
**COMBINING SCHEDULE OF NET ASSETS/(DEFICIT) - AFFORDABLE HOUSING**  
As of March 31, 2012

	<u>Pearl Court</u>	<u>Fenwick Avenue</u>	<u>Ainsworth Court</u>	<u>Fairview Oaks</u>	<u>Rockwood Station</u>	<u>Pine Square</u>	<u>Willow Tree</u>	<u>Ash Creek</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable	\$ 34,338	\$ 4,969	\$ 19,889	\$ 11,434	\$ 9,487	\$ -	\$ 28,122	\$ 16,152
Accrued interest payable	59,332	4,799	38,026	36,175	14,531	-	2,524	7,413
Other accrued liabilities	-	-	-	2,500	103	-	-	95,695
Deferred revenue	37,899	148	7,420	7,771	7,657	-	468	549
Deposits, payable from restricted assets	95,015	9,450	44,990	288,362	103,289	-	2,600	8,000
Current portion of bonds payable-partnerships	-	-	-	-	-	-	-	-
Current portion of notes and bonds payable	303,201	44,071	105,000	176,919	71,066	-	16,417	55,464
	<u>529,785</u>	<u>63,437</u>	<u>215,325</u>	<u>523,161</u>	<u>206,133</u>	<u>-</u>	<u>50,131</u>	<u>183,273</u>
<b>NON-CURRENT LIABILITIES:</b>								
Notes payable	973,922	2,698,036	1,260,668	11,948,681	4,799,634	-	847,248	2,110,052
Bonds payable	4,830,000	-	2,509,106	-	-	-	-	-
Bonds payable-partnerships	-	-	-	-	-	-	-	-
Accrued interest - long-term	328,681	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
	<u>6,132,603</u>	<u>2,698,036</u>	<u>3,769,774</u>	<u>11,948,681</u>	<u>4,799,634</u>	<u>-</u>	<u>847,248</u>	<u>2,110,052</u>
Derivative instruments	-	-	-	-	-	-	-	94,903
Total liabilities	<u>6,662,388</u>	<u>2,761,473</u>	<u>3,985,099</u>	<u>12,471,842</u>	<u>5,005,767</u>	<u>-</u>	<u>897,379</u>	<u>2,293,325</u>
<b>NET ASSETS (DEFICIT)</b>	<u>724,366</u>	<u>(230,151)</u>	<u>(48,650)</u>	<u>(856,008)</u>	<u>1,810,648</u>	<u>(1,064,773)</u>	<u>(278,737)</u>	<u>(1,365,626)</u>
<b>TOTAL LIABILITIES AND NET ASSETS/(DEFICIT)</b>	<u>\$ 7,386,754</u>	<u>\$ 2,531,322</u>	<u>\$ 3,936,449</u>	<u>\$ 11,615,834</u>	<u>\$ 6,816,415</u>	<u>\$ (1,064,773)</u>	<u>\$ 618,642</u>	<u>\$ 927,699</u>



# HOME FORWARD

## COMBINING SCHEDULE OF NET ASSETS/(DEFICIT) - AFFORDABLE HOUSING

As of March 31, 2012

	<u>Schiller Way</u>	<u>Peter Paulson</u>	<u>Kelly Place</u>	<u>Hillsdale Duplexs</u>	<u>Trouton Commercial</u>	<u>Affordable Housing Management</u>	<u>Eliminations</u>	<u>Totals</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ (353,065)	\$ (163,393)	\$ 19,670	\$ 7,813	\$ (70,044)	\$ (4,180,636)	\$ (43,207)	\$ 3,290,865
Cash and cash equivalents - Restricted	51,604	331,192	74,452	-	-	-	-	4,179,231
Investments	-	-	-	-	-	-	-	-
Investments - Restricted	-	-	-	-	-	-	-	-
Accounts receivable, net	691	4,440	782	-	225	166,288	-	269,282
Interproperty receivable	-	-	-	-	-	(174,860)	-	-
Prepaid expenses	599	3,921	1,265	-	1,103	538	-	194,846
Current portion of notes receivable-partnerships	-	-	-	-	-	755,290	-	755,290
	<u>(300,171)</u>	<u>176,160</u>	<u>96,169</u>	<u>7,813</u>	<u>(68,716)</u>	<u>(3,433,380)</u>	<u>(43,207)</u>	<u>8,689,514</u>
<b>NON-CURRENT ASSETS:</b>								
Investment- Restricted	-	-	-	-	-	-	-	1,533,595
Due from partnerships, net	-	-	-	-	-	(527,519)	-	(527,519)
Notes receivable and accrued interest receivable	-	-	-	-	-	9,317,019	-	9,317,019
Notes receivable -partnerships	-	-	-	-	-	34,657,668	-	34,657,668
Deferred charges, net	-	1,437	5,317	-	-	-	-	1,557,578
Investment in partnerships	-	-	-	-	-	795,915	-	795,915
Capital assets not being depreciated	48,707	285,851	188,665	471,500	-	-	-	7,671,021
Capital assets being depreciated, net	1,526,907	2,478,888	1,021,288	-	7,963	-	-	40,106,973
	<u>1,575,614</u>	<u>2,766,176</u>	<u>1,215,270</u>	<u>471,500</u>	<u>7,963</u>	<u>44,243,083</u>	<u>-</u>	<u>95,112,250</u>
<b>TOTAL ASSETS BEFORE DEFERRED OUTFLOWS</b>	<u>1,275,443</u>	<u>2,942,336</u>	<u>1,311,439</u>	<u>479,313</u>	<u>(60,753)</u>	<u>40,809,703</u>	<u>(43,207)</u>	<u>\$ 103,801,764</u>
Deferred outflows on derivative investments	-	-	-	-	-	-	-	\$ 94,903
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 1,275,443</u>	<u>\$ 2,942,336</u>	<u>\$ 1,311,439</u>	<u>\$ 479,313</u>	<u>\$ (60,753)</u>	<u>\$ 40,809,703</u>	<u>\$ (43,207)</u>	<u>\$ 103,896,667</u>

(continued)

# HOME FORWARD

## COMBINING SCHEDULE OF NET ASSETS/(DEFICIT) - AFFORDABLE HOUSING

As of March 31, 2012

	Schiller Way	Peter Paulson	Kelly Place	Hillsdale Duplexs	Trouton Commercial	Affordable Housing Management	Eliminations	Totals
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable	\$ 8,741	\$ 4,989	\$ 4,586	\$ -	\$ 1,383	\$ 37,938	\$ -	\$ 335,780
Accrued interest payable	2,748	-	1,850	-	-	-	-	271,797
Other accrued liabilities	-	-	-	-	-	55,333	-	201,033
Deferred revenue	699	5,627	605	-	-	604,253	-	694,949
Deposits, payable from restricted assets	6,076	35,445	5,650	-	-	-	-	771,560
Current portion of bonds payable-partnerships	-	-	-	-	-	755,290	-	755,290
Current portion of notes and bonds payable	43,812	-	16,551	-	-	-	-	1,143,592
	<u>62,076</u>	<u>46,061</u>	<u>29,242</u>	<u>-</u>	<u>1,383</u>	<u>1,452,814</u>	<u>-</u>	<u>4,174,001</u>
<b>NON-CURRENT LIABILITIES:</b>								
Notes payable	1,278,653	1,960,936	395,296	-	-	5,823,168	-	38,139,529
Bonds payable	-	-	-	-	-	-	-	12,314,349
Bonds payable-partnerships	-	-	-	-	-	34,657,668	-	34,657,668
Accrued interest - long-term	-	1,232,694	-	-	-	-	-	2,648,390
Other liabilities	-	-	-	-	-	10,172	-	10,172
	<u>1,278,653</u>	<u>3,193,630</u>	<u>395,296</u>	<u>-</u>	<u>-</u>	<u>40,491,008</u>	<u>-</u>	<u>87,770,108</u>
Derivative instruments	-	-	-	-	-	-	-	94,903
Total liabilities	<u>1,340,729</u>	<u>3,239,691</u>	<u>424,538</u>	<u>-</u>	<u>1,383</u>	<u>41,943,822</u>	<u>-</u>	<u>91,944,109</u>
<b>NET ASSETS (DEFICIT)</b>	<u>(65,286)</u>	<u>(297,355)</u>	<u>886,901</u>	<u>479,313</u>	<u>(62,136)</u>	<u>(1,134,119)</u>	<u>(43,207)</u>	<u>11,952,558</u>
<b>TOTAL LIABILITIES AND NET ASSETS/(DEFICIT)</b>	<u>\$ 1,275,443</u>	<u>\$ 2,942,336</u>	<u>\$ 1,311,439</u>	<u>\$ 479,313</u>	<u>\$ (60,753)</u>	<u>\$ 40,809,703</u>	<u>\$ (43,207)</u>	<u>\$ 103,896,667</u>

# HOME FORWARD

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

Year ended March 31, 2012

	<u>Grace Peck Terrace</u>	<u>Multnomah Manor</u>	<u>The Plaza</u>	<u>Rosenbaum Plaza</u>	<u>St. Johns Woods</u>	<u>Unthank Plaza</u>	<u>Helen Swindells</u>	<u>Dawson Park</u>
<b>OPERATING REVENUES:</b>								
Dwelling rental	\$ 215,450	\$ 253,591	\$ 201,396	\$ 169,443	\$ 279,449	\$ 162,703	\$ 424,765	\$ 504,735
Non-dwelling rental	19,006	398	-	55,273	-	4,684	117,826	-
HUD operating subsidies	628,582	136,478	470,703	493,716	813,847	662,073	-	-
HUD grants	-	-	-	-	-	-	-	-
Other	113,161	11,856	9,590	28,606	104,852	166,384	40,959	12,668
	<u>976,199</u>	<u>402,323</u>	<u>681,689</u>	<u>747,038</u>	<u>1,198,148</u>	<u>995,844</u>	<u>583,550</u>	<u>517,403</u>
<b>OPERATING EXPENSES:</b>								
Housing assistance payments	1,680	2,119	4,067	-	8,341	2,428	-	-
Administration	328,571	91,828	258,465	278,824	245,787	417,124	245,415	116,431
Tenant services	-	-	920	9,868	-	2,920	6,063	-
Utilities	74,367	60,723	76,378	107,324	253,704	61,700	92,637	56,885
Maintenance	153,422	126,158	234,171	188,350	316,877	179,269	139,691	95,453
Depreciation	81,482	86,903	130,890	78,193	122,728	61,405	107,569	141,036
General	22,844	7,702	9,760	18,613	69,405	17,135	38,406	8,769
Impairment loss	-	-	-	-	-	-	-	-
	<u>662,366</u>	<u>375,433</u>	<u>714,651</u>	<u>681,172</u>	<u>1,016,842</u>	<u>741,981</u>	<u>629,781</u>	<u>418,574</u>
<b>OPERATING INCOME (LOSS)</b>	<u>313,833</u>	<u>26,890</u>	<u>(32,962)</u>	<u>65,866</u>	<u>181,306</u>	<u>253,863</u>	<u>(46,231)</u>	<u>98,829</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>								
Investment income	1,186	704	52,074	455	48,241	1,082	497	605
Interest expense	-	(83,392)	(21,616)	-	(191,597)	-	(68,084)	(141,815)
Investment in partnership valuation charge	-	-	-	-	-	-	-	-
Amortization	-	(1,236)	-	-	(5,023)	-	(5,280)	(2,977)
Loss on disposal of assets	-	(2,051)	(98,737)	(5,457)	-	(18,147)	(2,812)	-
	<u>1,186</u>	<u>(85,975)</u>	<u>(68,279)</u>	<u>(5,002)</u>	<u>(148,379)</u>	<u>(17,065)</u>	<u>(75,679)</u>	<u>(144,187)</u>
<b>CAPITAL CONTRIBUTIONS:</b>								
Other nonoperating contributions	-	-	-	-	-	-	-	-
<b>INCREASE (DECREASE) IN NET ASSETS</b>	315,019	(59,085)	(101,241)	60,864	32,927	236,798	(121,910)	(45,358)
<b>NET ASSETS-Beginning of year</b>	<u>4,889,522</u>	<u>1,064,843</u>	<u>1,717,914</u>	<u>2,262,209</u>	<u>911,610</u>	<u>3,084,046</u>	<u>(115,940)</u>	<u>(634,840)</u>
<b>NET ASSETS (DEFICIT)-End of year</b>	<u>\$ 5,204,541</u>	<u>\$ 1,005,758</u>	<u>\$ 1,616,673</u>	<u>\$ 2,323,073</u>	<u>\$ 944,537</u>	<u>\$ 3,320,844</u>	<u>\$ (237,850)</u>	<u>\$ (680,198)</u>

(continued)

# HOME FORWARD

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

Year ended March 31, 2012

	<u>Pearl Court</u>	<u>Fenwick Avenue</u>	<u>Ainsworth Court</u>	<u>Fairview Oaks</u>	<u>Rockwood Station</u>	<u>Pine Square</u>	<u>Willow Tree</u>	<u>Ash Creek</u>
<b>OPERATING REVENUES:</b>								
Dwelling rental	\$ 1,487,521	\$ 221,747	\$ 682,888	\$ 2,698,777	\$ 1,374,010	\$ -	\$ 155,501	\$ 296,821
Non-dwelling rental	17,882	-	-	21,443	28,036	-	-	-
HUD operating subsidies	-	-	-	161,648	101,030	-	-	-
HUD grants	-	-	-	-	-	-	-	-
Other	67,669	6,719	19,199	97,160	50,196	-	13,815	11,129
	<u>1,573,072</u>	<u>228,466</u>	<u>702,087</u>	<u>2,979,028</u>	<u>1,553,272</u>	<u>-</u>	<u>169,316</u>	<u>307,950</u>
<b>OPERATING EXPENSES:</b>								
Housing assistance payments	-	-	-	10,875	2,990	-	-	-
Administration	300,337	22,210	103,830	414,463	360,737	500	39,749	43,651
Tenant services	-	-	56,504	-	-	-	-	-
Utilities	144,900	43,833	76,855	298,013	114,072	-	38,955	43,220
Maintenance	256,102	25,580	127,393	705,320	427,909	-	36,242	47,180
Depreciation	378,199	79,885	128,020	448,224	234,879	-	51,406	53,320
General	30,962	5,772	13,176	145,266	76,544	-	4,192	9,930
Impairment loss	-	-	-	-	-	-	1,067,974	1,300,309
	<u>1,110,500</u>	<u>177,280</u>	<u>505,778</u>	<u>2,022,161</u>	<u>1,217,131</u>	<u>500</u>	<u>1,238,518</u>	<u>1,497,610</u>
<b>OPERATING INCOME (LOSS)</b>	<u>462,572</u>	<u>51,186</u>	<u>196,309</u>	<u>956,867</u>	<u>336,141</u>	<u>(500)</u>	<u>(1,069,202)</u>	<u>(1,189,660)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>								
Investment income	23,190	115	31,703	254	232	-	203	146
Interest expense	(265,895)	(58,304)	(157,700)	(551,517)	(221,538)	(453,085)	(35,130)	(87,417)
Investment in partnership valuation charge	-	-	-	-	-	-	-	-
Amortization	(8,024)	(781)	(2,889)	(227,510)	(114,114)	-	(817)	(962)
Loss on disposal of assets	(476)	-	(659,813)	-	-	-	-	-
	<u>(251,205)</u>	<u>(58,970)</u>	<u>(788,699)</u>	<u>(778,773)</u>	<u>(335,420)</u>	<u>(453,085)</u>	<u>(35,744)</u>	<u>(88,233)</u>
<b>CAPITAL CONTRIBUTIONS:</b>								
Other nonoperating contributions	-	-	115,935	-	-	-	2,070	-
<b>INCREASE (DECREASE) IN NET ASSETS</b>	211,367	(7,784)	(476,455)	178,094	721	(453,585)	(1,102,876)	(1,277,893)
<b>NET ASSETS-Beginning of year</b>	<u>512,999</u>	<u>(222,367)</u>	<u>427,805</u>	<u>(1,034,102)</u>	<u>1,809,927</u>	<u>(611,188)</u>	<u>824,139</u>	<u>(87,733)</u>
<b>NET ASSETS (DEFICIT)-End of year</b>	<u>\$ 724,366</u>	<u>\$ (230,151)</u>	<u>\$ (48,650)</u>	<u>\$ (856,008)</u>	<u>\$ 1,810,648</u>	<u>\$ (1,064,773)</u>	<u>\$ (278,737)</u>	<u>\$ (1,365,626)</u>

(continued)

# HOME FORWARD

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

Year ended March 31, 2012

	Schiller Way	Peter Paulson	Kelly Place	Hillsdale Duplexes	Trouton Commercial	Affordable Housing Management	Eliminations	Total
<b>OPERATING REVENUES:</b>								
Dwelling rental	\$ 180,460	\$ 504,979	\$ 35,712	\$ 25,258	\$ -	\$ 4,425	\$ -	\$ 9,879,631
Non-dwelling rental	38,430	-	-	-	42,668	87,863	-	433,509
HUD operating subsidies	-	-	-	-	-	175,371	-	3,643,448
HUD grants	-	-	-	-	-	149,059	-	149,059
Other	2,159	9,104	1,486	-	57,345	644,917	(205,856)	1,263,118
	<u>221,049</u>	<u>514,083</u>	<u>37,198</u>	<u>25,258</u>	<u>100,013</u>	<u>1,061,635</u>	<u>(205,856)</u>	<u>15,368,765</u>
<b>OPERATING EXPENSES:</b>								
Housing assistance payments	-	-	-	-	-	-	-	32,500
Administration	49,260	217,322	27,081	3,201	82,261	1,623,449	(205,856)	5,064,640
Tenant services	-	-	-	(850)	-	392,305	-	467,730
Utilities	42,120	87,861	7,709	4,378	11,606	-	-	1,697,240
Maintenance	63,251	147,624	9,248	3,484	10,090	(5,995)	-	3,286,819
Depreciation	56,099	111,841	23,258	6,460	4,681	-	-	2,386,478
General	6,653	14,219	2,163	22,502	5,197	852,101	-	1,381,311
Impairment loss	-	-	-	377,118	-	-	-	2,745,401
	<u>217,383</u>	<u>578,867</u>	<u>69,459</u>	<u>416,293</u>	<u>113,835</u>	<u>2,861,860</u>	<u>(205,856)</u>	<u>17,062,119</u>
<b>OPERATING INCOME (LOSS)</b>	<u>3,666</u>	<u>(64,784)</u>	<u>(32,261)</u>	<u>(391,035)</u>	<u>(13,822)</u>	<u>(1,800,225)</u>	<u>-</u>	<u>(1,693,354)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>								
Investment income	36	1,479	24	13	-	34,978	-	197,217
Interest expense	(33,765)	(82,035)	(6,315)	-	-	-	-	(2,459,205)
Investment in partnership valuation charge	-	-	893,413	-	-	(930,465)	-	(37,052)
Amortization	-	(507)	(83)	-	-	-	-	(370,203)
Loss on disposal of assets	-	-	(970)	-	-	-	-	(788,463)
	<u>(33,729)</u>	<u>(81,063)</u>	<u>886,069</u>	<u>13</u>	<u>-</u>	<u>(895,487)</u>	<u>-</u>	<u>(3,457,706)</u>
<b>CAPITAL CONTRIBUTIONS:</b>								
Other nonoperating contributions	-	-	33,093	-	-	181,877	-	332,975
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(30,063)</u>	<u>(145,847)</u>	<u>886,901</u>	<u>(391,022)</u>	<u>(13,822)</u>	<u>(2,513,835)</u>	<u>-</u>	<u>(4,818,085)</u>
<b>NET ASSETS-Beginning of year</b>	<u>(35,223)</u>	<u>(151,508)</u>	<u>-</u>	<u>870,335</u>	<u>(48,314)</u>	<u>1,379,716</u>	<u>(43,207)</u>	<u>16,770,643</u>
<b>NET ASSETS (DEFICIT)-End of year</b>	<u>\$ (65,286)</u>	<u>\$ (297,355)</u>	<u>\$ 886,901</u>	<u>\$ 479,313</u>	<u>\$ (62,136)</u>	<u>\$ (1,134,119)</u>	<u>\$ (43,207)</u>	<u>\$ 11,952,558</u>

# HOME FORWARD

## COMBINING SCHEDULE OF NET ASSETS/(DEFICIT) - SPECIAL NEEDS HOUSING

As of March 31, 2012

	Interstate Crossing	Carriage Hill	Project Open Door	Other Special Needs	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ (173,265)	\$ 18,021	\$ 12,652	\$ 1,131,155	\$ 988,563
Tenant security deposit-Restricted Cash	1,350	-	1,750	-	3,100
Cash and cash equivalents-restricted	36,669	3,083	54,205	911,883	1,005,840
Accounts receivable, net	1,012	275	196	11,601	13,084
Prepaid expenses	-	-	926	3,647	4,573
	(134,234)	21,379	69,729	2,058,286	2,015,160
<b>NONCURRENT ASSETS:</b>					
Notes receivable- conduit financing	-	-	-	-	-
Investments- Restricted	-	-	-	-	-
Deferred charges, net	2,077	-	-	14,126	16,203
Capital assets not being depreciated	90,000	75,424	76,710	1,520,950	1,763,083
Capital assets being depreciated, net	1,310,150	329,219	494,488	19,180,149	21,314,006
	1,402,226	404,643	571,198	20,715,224	23,093,291
<b>TOTAL ASSETS</b>	<b>\$ 1,267,993</b>	<b>\$ 426,022</b>	<b>\$ 640,927</b>	<b>\$ 22,773,510</b>	<b>\$ 25,108,452</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 1,736	\$ 7,752	\$ 258	\$ 22,726	\$ 32,471
Accrued interest payable	1,245	99	189	6,222	7,755
Other accrued liabilities	5,444	-	705	5,541	11,691
Deferred revenue	250	334	375	3,886	4,845
Deposits, payable from restricted assets	1,225	-	1,750	11,541	14,516
Current portion of notes and bonds payable	11,803	1,411	14,497	61,258	88,969
	21,703	9,596	17,774	111,174	160,247
<b>NONCURRENT LIABILITIES:</b>					
Accrued Interest long-term	-	-	-	237,500	237,500
Notes payable - long-term	1,416,227	224,671	244,507	8,310,832	10,196,236
	1,416,227	224,671	244,507	8,548,332	10,433,736
Total liabilities	1,437,930	234,267	262,281	8,659,506	10,593,984
Net Assets/(Deficits)	(169,937)	191,755	378,646	14,114,004	14,514,468
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,267,993</b>	<b>\$ 426,022</b>	<b>\$ 640,927</b>	<b>\$ 22,773,510</b>	<b>\$ 25,108,452</b>

# HOME FORWARD

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

Year ended March 31, 2012

	Interstate Crossing	Carriage Hill	Project Open Door	Other Special Needs	Total
<b>OPERATING REVENUES:</b>					
Dwelling rental	\$ 95,624	\$ 21,328	\$ 61,837	\$ 42,556	\$ 221,345
Non-dwelling rental	-	-	-	570,389	570,389
State, local and other grants	-	-	-	3,450	3,450
Other	27,046	-	82	34,502	61,630
	122,670	21,328	61,919	650,897	856,814
<b>OPERATING EXPENSES:</b>					
Administration	10,658	13	436	61,777	72,884
Management fee	6,494	-	-	-	6,494
Tenant services	1,508	5	-	-	1,513
Utilities	14,428	3,776	9,260	24,338	51,802
Maintenance	65,146	2,001	12,426	141,688	221,261
Depreciation	59,739	11,715	23,606	915,184	1,010,244
General	4,438	365	870	47,974	53,647
	162,411	17,875	46,598	1,190,961	1,417,845
<b>OPERATING LOSS</b>	(39,741)	3,453	15,321	(540,064)	(561,031)
<b>NON-OPERATING REVENUE (EXPENSE):</b>					
Investment income	46	2	146	1,055	1,249
Interest expense	(32,443)	(1,206)	(4,655)	(103,776)	(142,080)
Amortization	(97)	-	-	(379)	(476)
Gain (loss) on sale of assets	(58,160)	-	-	(9,722)	(67,882)
	(90,654)	(1,204)	(4,509)	(112,822)	(209,189)
<b>NET LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	(130,395)	2,249	(9,018)	(652,886)	(770,220)
<b>CAPITAL CONTRIBUTIONS</b>					
HUD nonoperating contributions	-	-	-	-	-
Other non-operating contributions	79,366	-	-	3,548,057	3,627,423
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	79,366	-	-	3,548,057	3,627,423
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(51,029)	2,249	10,812	2,895,171	2,857,203
<b>NET ASSETS-beginning of year</b>	(118,908)	189,506	367,835	11,218,833	11,657,266
<b>NET ASSETS/(DEFICIT)-end of year</b>	\$ (169,937)	\$ 191,755	\$ 378,647	\$ 14,114,004	\$ 14,514,469

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

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

We have audited the basic financial statements of the business-type activity (primary government) and the aggregate discretely presented component units of Home Forward, Oregon, as of and for the year ended March 31, 2012, which collectively comprise Home Forward's basic financial statements, and have issued our report thereon dated September 27, 2012. Our report includes a reference to other auditors, and a scope limitation related to the statement of revenues, expenses and changes in net assets for the year ended December 31, 2011 for the RAC Housing Limited Partnership, a discretely presented component unit of Home Forward, which was not audited. Except for the RAC Housing Limited Partnership, 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, and the *Minimum Standards for Audits of Oregon Municipal Corporations*. Other auditors audited the financial statements of the aggregate discretely presented component units, except for the statement of revenues, expenses and changes in net assets for the year ended December 31, 2011 and the financial statements as of and for the year ended December 31, 2010 of the RAC Housing Limited Partnership, as described in our report on Home Forward's basic financial statements. The audits of the discretely presented component units, except for the Gateway Park Limited Partnership, were not performed 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 of the Gateway Park Limited Partnership.

### **Compliance**

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

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

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



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

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

In planning and performing our audit, we considered Home Forward's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

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.

A handwritten signature in black ink that reads "David Bullock". The signature is written in a cursive style with a horizontal line underneath the name.

David Bullock, Partner  
for Macias Gini & O'Connell LLP  
Walnut Creek, California  
September 27, 2012

**HOME FORWARD**

Summary Schedule of Prior Audit Finding  
For the Year Ended March 31, 2012

**Reference Number:** **2011-01 Noncompliance with Bond Reserve Requirement**

**Audit Finding:** During our testwork, we noted that Home Forward did not maintain the Bond Reserve Fund at the Reserve Requirement for the Bonds. The Reserve Requirement of the Bonds, as defined in the Bonds' indenture, is equal to the maximum annual debt service on the Bonds. At March 31, 2011, the Bond Reserve Requirement for the Bonds was \$328,245, while \$324,685 was held in the Bond Reserve Fund trustee account, representing a difference of \$3,560.

**Status of Corrective Action:** Home Forward took corrective action transferring \$3,560 to the Bond Reserve Fund on September 1, 2011.

This page intentionally left blank.