HOME FORWARD
PORTLAND, OREGON

Independent Auditor's Reports and
Basic Financial Statements
For Years Ended March 31, 2014 and 2013
and
Supplementary Information
For Year Ended March 31, 2014

MGO Certified Public Accountants.

HOME FORWARD

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As of March 31, 2014

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ADMINISTRATIVE OFFICER

Mr. Steven D. Rudman Executive Director and Secretary/Treasurer	135 S.W. Ash Street, 6th Floor Portland, Oregon 97204

GENERAL COUNSEL

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

MGO Certified Public Accountants.

Walnut Creek
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity (primary government) and the aggregate discretely presented component units of Home Forward, Oregon, as of and for the years ended March 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Home Forward's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the aggregate discretely presented component units of Home Forward. Those statements of the discretely presented component units, except for the financial statements discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, except for the financial statements discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, are based solely on the report of the other auditors.

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

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

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

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of Stephens Creek Crossing North Limited Partnership and Stephens Creek Crossing South Limited Partnership as of and for the years ended December 31, 2013 and 2012, and the financial statements of Beech Street Limited Partnership and Union Station A LIH Limited Partnership as of and for the year ended December 31, 2013 (collectively, Limited Partnerships) have not been audited, and we were not engaged to audit those financial statements as part of our audits of Home Forward's basic financial statements. The Limited Partnership's financial activities are included in Home Forward's basic financial statements as discretely presented component units and represent 15 percent, 6 percent and 15 percent of the assets, net position and revenues/contributions, respectively, for the year ended December 31, 2013 and represent 5 percent, 2 percent and 3 percent of the assets, net position and revenues/contributions, respectively, for the year ended December 31, 2012 of Home Forward's aggregate discretely presented component units.

Qualified Opinion

In our opinion, based on the report of other auditors, except for the possible effects of the matter described in the "Basis of Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Home Forward as of March 31, 2014 and 2013, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above presented fairly, in all material respects, the financial position of the business-type activity (primary government) of Home Forward as of March 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1 to the financial statements, effective April 1, 2012, Home Forward adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Other Information

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

The other supplementary information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reported dated September 18, 2014 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, 2014. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Home Forward's internal control over financial reporting and compliance.

Linda Hurley

Linda Hurley, Partner
Macias Gini & O'Connell LLP
Walnut Creek, California
September 18, 2014

This section of Home Forward's annual financial report presents Management's Discussion and Analysis of Home Forward's financial performance during the years ended on March 31, 2014 and 2013. 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), the basic financial statements include its blended component unit, Home Forward Development Enterprises, and its 22 discretely presented component units. These discretely presented component units represent multi-family properties structured as limited partnerships, which have Home Forward as the general partner with minimal ownership interest. The Statements of Net Position includes all of Home Forward's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position, regardless of when cash is received or paid.

Management's Discussion and Analysis – For the Year Ended March 31, 2014

Significant Developments

Sequestration – In March 2013, Federal Budget Sequestration went into effect and required 5.0% spending cuts of federal programs for federal fiscal year 2013. For Home Forward's fiscal year 2014, this resulted in a reduction of $4.7 million in housing assistance and administrative funding. In order to prevent any participant from losing their housing assistance due to this funding reduction, Home Forward enacted several changes including modifications to the rent reform policy, implementing a voluntary retirement/layoff program, holding a furlough day, freezing salary increases and reducing certain administrative expenses.

Additionally, in September 2013, Home Forward and HUD signed a fifth amendment to the Moving to Work agreement that restored funding for previously defunded public housing units. This amendment resulted in additional public housing subsidy funding of $3.3 million with the additional funds helping to lessen the impact of the sequestration funding reductions.

Home Forward Development Enterprises – In April 2013, New Columbia Community Campus changed its name to Home Forward Development Enterprises and changed the entity's primary purpose to support Home Forward to allow development, redevelopment, operation and maintenance of one or more housing projects (as defined in ORS 456.065) in the state of Oregon as opposed to only the New Columbia neighborhood.

In September 2013, Home Forward converted four buildings from public housing funding to project based Section 8 funding and transferred the buildings to Home Forward Development Enterprises. This is the first phase of Home Forward's ***85 Stories,*** an $80 million initiative to preserve over 1,200 units of affordable housing at ten buildings in the greater Portland area. Home Forward management is evaluating the opportunities to preserve the remaining six additional public housing high rise buildings identified as needing major capital investments.

St. John's Woods – On December 20, 2013, Home Forward completed the sale of St. John's Woods, a 124 unit affordable housing apartment complex, to Vitus Group for $8.25 million.

Stephens Creek Crossing – In January 2014, construction was completed at and residents moved into Stephens Creek Crossing, Home Forward's third HOPE VI project awarded by the U.S. Department of Housing and Urban Development (HUD). Originally awarded in May 2011, this initiative involved the demolition and replacement of Hillsdale Terrace, a public housing building containing 60 three-bedroom units building, with 122 units of varying bedroom sizes. The new property, known as Stephens Creek Crossing, consists of a community center owned by Home Forward, housing owned by two limited partnership entities (for which Home Forward is the general partner) and a Children's Center to be operated by Neighborhood House.

In addition to the 122 units of housing, 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 incorporates 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. Total development costs are $52.2 million.

Transfer of Tax Credit Limited Partnership Interests - During fiscal year 2014, Home Forward acquired the remaining interest in Columbia Street Limited Partnership and became sole owner of the Gretchen Kafoury Commons, a 129 unit affordable housing property. Also, Home Forward acquired the remaining interest in the Rockwood Landing Limited Partnership and became sole owner of Rockwood Landing, a 36 unit affordable housing property. Both tax credit partnerships were originally formed by Home Forward under Section 42 of the Internal Revenue Code.

Restatement – The financial results for fiscal years 2013 and 2012 have been restated to reflect the changes of GASB Statement No. 65 *Items Previously Recorded as Assets and Liabilities*. More detailed information about the restatement due to the implementation is presented in Note 20 to the financial statements.

Financial Highlights

Home Forward's Statement of Net Position reflects growth in net position during 2014. Specifically:

- Total assets and deferred outflows of resources increased $17.6 million from $344.1 million at March 31, 2013 to $361.7 million at March 31, 2014 primarily due to an increase of $7.1 million in receivables related to the substantial completion of construction at Stephens Creek Crossing, an increase in capital assets not being depreciated of $6.3 million (of which $3.9 million is connected to Stephens Creek Crossing, $1.3 million relates to work in progress at various housing properties, $0.8 million relates to increases in land, and $0.5 million is connected with improvements at the New Market West headquarters) and a $5.0 million increase in cash connected with the sale of St. John's Woods.

- Total liabilities and deferred inflows of resources increased $11.2 million from $131.3 million at March 31, 2013 to $142.5 million at March 31, 2014 primarily due to an increase in notes payable and bonds payable associated with Stephens Creek Crossing.

- Total operating revenues increased $4.6 million to $117.9 million. This is mainly due to $2.2 million increase in developer fees connected with Stephens Creek Crossing and Beech Street, a $1.3 million increase in dwelling rental primarily due to a full year of operations from the Yards at Union Station (a former tax credit property purchased by Home Forward in January 2013), a $1.5 million settlement for repairs at Willow Tree apartments, a $0.8 million increase in non-dwelling rental associated with the land lease at Beech Street, a $0.6 million increase in funds from Multnomah County for short term rent assistances offset by a $1.7 million reduction of HUD operating subsidies associated with sequestration.

- Total operating expenses were $117.0 million, a decrease of $1.7 million from the prior year. This decrease is primarily due to a $2.0 million reduction in housing assistance payments connected with reduced federal funding due to sequestration.

- Operating results for 2014 yielded operating income of $1.0 million compared to an operating loss of $5.4 million for 2013.

- Net position increased $6.4 million to $219.2 million at March 31, 2014. This growth was due to capital contributions of $5.8 million, the operating income of $1.0 million and nonoperating expenses of $0.4 million.

Condensed Statement of Net Position

The following tables show a summary of net position by type at March 31, 2014 and 2013:

(in thousands of dollars)	2014	2013 (as restated)	Increase (Decrease)
Assets and Deferred Outflows of Resources			
Current assets	$ 61,295	$ 43,710	$ 17,585
Non-current assets	160,294	162,062	(1,768)
Capital assets	138,647	132,840	5,807
Assets available for sale	-	3,264	(3,264)
Total assets before deferred outflows of resources	360,236	341,876	18,360
Deferred outflows of resources/derivative instruments	1,463	2,186	(723)
Total assets and deferred outflows of resources/derivative instruments	$ 361,699	$ 344,062	$ 17,637
Liabilities and Deferred Inflows of Resources			
Current liabilities	$ 23,176	$ 14,506	$ 8,670
Non-current liabilities	117,840	114,558	3,282
Deferred inflows of resources	1,463	2,186	(723)
Total liabilities and deferred inflows of resources	142,479	131,250	11,229
Net Position			
Net investment in capital assets	60,341	59,968	373
Restricted	16,516	18,606	(2,090)
Unrestricted	142,363	134,238	8,125
Total net position	219,220	212,812	6,408
Total liabilities, deferred inflows of resources and net position	$ 361,699	$ 344,062	$ 17,637

Year-end Financial Position

Current assets increased in 2014 from $43.7 million to $61.3 million. Cash and cash equivalents increased $9.9 million, mainly due to the sale of St. John's Woods. Cash and cash equivalents – restricted decreased $1.6 million due to replacement reserves connected with the affordable housing portfolio and the current portion of notes receivable – partnership increased by $9.8 million due to construction at Stephens Creek Crossing. This was offset by a decrease in accounts receivable of $2.1 million primarily due to a $3.0 million decrease in amounts owed by HUD and a $0.8 million increase in other receivables associated with funding for repair work at Willow Tree apartments.

Non-current assets (other than capital assets) decreased $1.8 million, mainly due to the elimination of the $4.2 million notes receivable – partnership connected with the bonds outstanding at Columbia Street Limited Partnership, a decrease in investment in partnership of $0.3 million, a $1.0 million reduction of notes associated with the Gretchen Kafoury Commons and Rockwood Landing acquisition, a $0.6 million collection of notes related to Bud Clark Commons, a $0.3 million write off of notes associated with St. Francis Limited Partnership offset by an increase in notes and accrued interest receivable of $5.7 million related to Stephens Creek Crossing.

Capital assets increased $5.8 million of which $3.9 million is connected to remaining work in progress at Stephens Creek Crossing, $1.3 million relates to work in progress at various housing properties, $0.8 million relates to increases in land and $0.5 million is connected with improvements at the New Market West headquarters.

Assets available for sale decreased $3.3 million in 2014 due to the December 2013 sale of St. John's Woods, a 124 unit affordable housing apartment complex.

Current liabilities increased $8.7 million during the year, due to $9.8 million increase in current portion of bonds payable—partnerships connected with construction bonds at Stephens Creek Crossing, a $1.0 million increase in accounts payable offset by a $2.0 million reduction in current portion of notes payable related to the refinancing of debt for the Ash Creek property.

Non-current liabilities increased by $3.3 million during 2014. This increase is primarily due to an increase of $2.6 million of debt related to Gretchen Kafoury Commons, the refinance of $2.1 million of debt for Ash Creek, and an increase of $1.8 million of debt connected with the renovations at the New Market West headquarters offset by the $3.2 million payment of debt connected with St. John's Woods.

Net position at March 31, 2014 was $219.2 million, an increase of $6.4 million over 2013. This increase mainly resulted from $5.8 million in capital contributions for development activities along with fiscal year 2014 income before capital contributions of $0.6 million.

Capital Assets

At March 31, 2014, Home Forward had $138.6 million of capital assets, an increase of $5.8 million over the prior year. More detailed information about Home Forward's capital debt is presented in Note 8 to the financial statements.

(in thousands of dollars)	2014	2013 (as reclassified)	Increase (Decrease)
Land	$ 23,301	$ 22,511	$ 790
Construction in progress	7,248	1,778	5,470
Total capital assets not being depreciated	30,549	24,289	6,260
Buildings and improvements	193,161	180,161	13,000
Equipment	14,076	13,312	764
Accumulated depreciation	(99,139)	(84,922)	(14,217)
Total capital assets being depreciated	108,098	108,551	(453)
Total capital assets, net	$ 138,647	$ 132,840	$ 5,807

The increase in capital assets for the year was mainly due to the construction and completion of the Stephens Creek Crossing Project.

Notes and Bonds Payable

At March 31, 2014, Home Forward had $80.6 million of notes and bonds payable outstanding (excluding bonds payable–partnerships), an increase of $5.5 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)	2014	2013	Increase (Decrease)
Current portion of notes and bonds payable	$ 2,217	$ 4,146	$ (1,929)
Notes payable - long-term	54,599	48,084	6,515
Bonds payable - long-term	23,815	22,928	887
Total notes and bonds payable	$ 80,631	$ 75,158	$ 5,473

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

Results of Operation – Year ended March 31, 2014 compared to Year Ended March 31, 2013

Statement of Revenues, Expenses and Changes in Net Position

(in thousands of dollars)	2014	2013 (as restated)	Increase (Decrease)
Operating revenues			
Rental revenue	$ 16,065	$ 14,159	$ 1,906
HUD subsidies and grants	89,591	91,281	(1,690)
ARRA revenue	-	118	(118)
Development fee revenue	3,161	953	2,208
State, local and other grants	5,566	4,620	946
Other	3,532	2,138	1,394
	117,915	113,269	4,646
Operating expenses			
Housing assistance payments	69,859	71,886	(2,027)
Administration	19,833	19,467	366
Tenant services	4,481	4,350	131
Utilities	4,608	4,265	343
Maintenance	8,718	9,097	(379)
Depreciation	8,437	8,193	244
Other	1,023	1,420	(397)
	116,959	118,678	(1,719)
Operating income/(loss)	956	(5,409)	6,365
Nonoperating revenues (expenses)			
Investment income	415	606	(191)
Interest expense	(2,298)	(2,868)	570
Investment in partnership valuation charge	(2,885)	3	(2,888)
Financing costs	(37)	(349)	312
Loss on sale of capital assets	(733)	(1,185)	452
Gain on sale of assets	5,147	112	5,035
	(391)	(3,681)	3,290
Income (Loss) before Capital Contributions	565	(9,090)	9,655
Capital Contributions			
HUD non-operating contributions	5,136	9,336	(4,200)
Other non-operating contributions	707	1,045	(338)
	5,843	10,381	(4,538)
Increase in net position	6,408	1,291	5,117
Net position - Beginning of year, as restated	212,812	211,521	1,291
Net position - End of year	$ 219,220	$ 212,812	$ 6,408

Fiscal year 2014 generated operating income of $1.0 million. This result is a $6.4 million improvement in operating income from fiscal year 2013. Total operating revenues were $4.6 million higher while operating expenses decreased by $1.7 million.

Operating revenues of $117.9 million increased $4.6 million from fiscal year 2013. Specifically, there was a $2.2 million increase in development fee revenue, mainly due to fees earned for Stephens Creek Crossing and Beech Street, a $0.9 million increase in state, local and other grants mainly due to an increase in rent assistance grants from Multnomah County and a $0.9 million increase in other revenue due to improved collection of general partner fees. HUD funds were reduced due to the impact of sequestration but partially offset by the increase in funding from the transition of four public housing properties into properties funded with project based vouchers. Net reduced funding from HUD was $1.8 million for the year.

Operating expenses decreased $1.7 million to $117.0 million in 2014. This was mainly due to a decrease in housing assistance payments of $2.0 million in response to reduced federal funding due to sequestration.

Nonoperating revenues (expenses) were ($0.4 million) in 2014, compared to ($3.7 million) in 2013. This improvement of $3.3 million was due mainly to a gain on sale of assets available for sale of $5.0 million related to St. John's Woods, reduced interest expenses of $0.6 million, offset by a $2.9 million loss on investment in partnership valuation change.

During 2014, capital contributions from HUD and other sources totaled $5.8 million with funds mainly supporting the Stephens Creek Crossing HOPE VI project. This was a reduction of $4.5 million from the prior year.

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Management's Discussion and Analysis – For the Year Ended March 31, 2013

Significant Developments

New Columbia Community Campus Corporation **-** During fiscal year 2013, the building and land owned by New Columbia Community Campus was sold to Portland Public Schools and the Boys and Girls Club of Portland. This fulfilled the entity's role under the New Markets Tax Credit program.

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. During fiscal year 2013, the final unit was sold. The overall sales raised $26.0 million over 5 years in funding for the acquisition, development and rehabilitation of affordable housing units.

Transfer of Tax Credit Limited Partnership Interests **-** During fiscal year 2013, Home Forward acquired the remaining interest in the Union Station A LIH Limited Partnership and became sole owner of the Yards at Union Station, a 158 unit affordable housing property. This tax credit partnership was originally formed by Home Forward under Section 42 of the Internal Revenue Code.

Stephens Creek Crossing **–** Work continued on Stephens Creek Crossing, Home Forward's third HOPE VI project awarded by the U.S. Department of Housing and Urban Development (HUD). Originally awarded in May 2011, this initiative involves the demolition and replacement of Hillsdale Terrace, a 60 three-bedroom public housing unit building, 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, 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 $52.8 million and Home Forward anticipates providing $9.3 million in proceeds to the project. $17.8 million has been expended as of March 31, 2013.

Beech Street development project - On January 15, 2013, Home Forward executed a Memorandum of Understanding with Lifeworks NW, a local nonprofit that provides addiction and mental health services, for the construction of a 35 bed treatment facility and a 32 unit permanent rental housing apartment on Beech Street in Portland, Oregon. The $7.4 million treatment facility, to be owned and operated by Lifeworks NW, will utilize New Markets Tax Credits and the $10.4 million apartment, to be owned and operated by Home Forward, will utilize 9% low income housing tax credits (LIHTC).

St. John's Woods – On January 15, 2013, Home Forward's Board of Commissioners agreed to sell St. John's Woods, a 124 unit affordable housing apartment complex, to Vitus Group for $8.25 million. The sale is expected to be completed in the fall of 2013 and the property is classified as an asset available for sale.

Financial Highlights

Home Forward's Statements of Net Position reflect modest growth in net position during 2013. Specifically:

- Total assets and deferred outflows of resources decreased $9.5 million from $353.6 million at March 31, 2012 to $344.1 million at March 31, 2013 primarily due to the decrease in capital assets being depreciated of $10.0 million related to the sale of the New Columbia Community Campus property.

- Total liabilities and deferred inflows of resources decreased $10.8 million from $142.1 million at March 31, 2012 to $131.3 million at March 31, 2013 primarily due to a reduction of notes payable of $10.8 million related to the sale of the New Columbia Community Campus property.

- Total operating revenues increased $4.0 million to $113.3 million primarily due to a $1.6 million increase in HUD operating subsidies in FY 2013.

- Total operating expenses of $118.7 million decreased $0.6 million from the prior year. This decrease is primarily due to a $4.1 million increase in housing assistance payments offset by a decrease impairment charge of $3.6 million and $1.6 million in administration expenses.

- Operating results for 2013 yielded an operating loss of $5.4 million compared to an operating loss of $10.1 million for 2012. The operating loss in 2013 includes depreciation expense of $8.2 million, a non-cash expense.

- Net position increased $1.3 million to $212.8 million at March 31, 2013. This growth was primarily due to capital contributions of $10.4 million offset by the operating loss of $5.4 million and nonoperating expenses of $3.7 million.

Condensed Statement of Net Position

The following tables show a summary of net position by type at March 31, 2013 and 2012:

(in thousands of dollars)	2013 (as restated)	2012 (as restated)	Increase (Decrease)
Assets and Deferred Outflows of Resources			
Current assets	$ 43,710	$ 48,846	$ (5,136)
Non-current assets	162,062	159,746	2,316
Capital assets	132,840	142,556	(9,716)
Assets available for sale	3,264	30	3,234
Total assets before deferred outflows of resources	341,876	351,178	(9,302)
Deferred outflows of resources/derivative instruments	2,186	2,395	(209)
Total assets and deferred outflows of resources/derivative instruments	$ 344,062	$ 353,573	$ (9,511)
Liabilities and Deferred Inflows of Resources			
Current liabilities	$ 14,506	$ 21,854	$ (7,348)
Non-current liabilities	114,558	118,142	(3,584)
Deferred inflows of resources	2,186	2,056	130
Total liabilities and deferred inflows of resources	131,250	142,052	(10,802)
Net Position			
Net investment in capital assets	59,968	61,869	(1,901)
Restricted	18,606	21,045	(2,439)
Unrestricted	134,238	128,607	5,631
Total net position	212,812	211,521	1,291
Total liabilities, deferred inflows of resources and net position	$ 344,062	$ 353,573	$ (9,511)

Year-end Financial Position

Current assets decreased in 2013 from $48.8 million to $43.7 million. Cash and cash equivalents (unrestricted and restricted) decreased $2.8 million and investments decreased $5.1 million with proceeds loaned to the Stephens Creek Crossing project. This decrease was offset by an increase in accounts receivable of $1.9 million primarily due to an increase in amounts owed by HUD and an increase in due from partnership of $1.0 million.

Non-current assets (other than capital assets) increased $2.3 million, mainly due to the increase in notes receivable of $10.2 million related to the Stephens Creek Crossing construction offset by the collection of $2.9 million of developer fees associated with Bud Clark Commons and a $5.6 million reduction in notes receivable – partnership for Union Station, formerly a tax credit partnership with full ownership acquired by Home Forward during fiscal year 2013.

Capital assets decreased $9.7 million. This decrease is mainly due to the New Columbia Community Campus sale of property and land related to Portland Public Schools and the Boys and Girls Club of Portland.

Assets available for sale increased $3.2 million in 2013 due to the pending sale of St. John's Woods, a 124 unit affordable housing apartment complex.

Current liabilities decreased $7.3 million during the year, again primarily related to the retirement of debt associated with the sale of property of New Columbia Community Campus.

Non-current liabilities decreased by $3.6 million during 2013. This decrease is primarily due to the $5.6 million reduction in bonds payable related to the Union Station purchase.

Net position at March 31, 2013 was $212.8 million, a modest increase of $1.3 million over 2012. This increase mainly resulted from $10.4 million in capital contributions from HUD, the City of Portland, Multnomah County and other sources in support of development activities offset by a fiscal year 2013 loss before capital contributions of $9.1 million.

Capital Assets

At March 31, 2013, Home Forward had $132.8 million of capital assets, a decrease of $9.7 million over the prior year. More detailed information about Home Forward's capital debt is presented in Note 8 to the financial statements.

(in thousands of dollars)	2013 (as reclassified)	2012	Increase (Decrease)
Land	$ 22,511	$ 21,022	$ 1,489
Construction in progress	1,778	2,551	(773)
Total capital assets not being depreciated	24,289	23,573	716
Buildings and improvements	180,161	180,100	61
Equipment	13,312	14,366	(1,054)
Accumulated depreciation	(84,922)	(75,483)	(9,439)
Total capital assets being depreciated	108,551	118,983	(10,432)
Total capital assets, net	$ 132,840	$ 142,556	$ (9,716)

Notes and Bonds Payable

At March 31, 2013, Home Forward had $75.2 million of notes and bonds payable outstanding (excluding bonds payable–partnerships), a decrease of $5.5 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)	2013	2012	Increase (Decrease)
Current portion of notes and bonds payable	$ 4,146	$ 10,754	$ (6,608)
Notes payable - long-term	48,084	51,508	(3,424)
Bonds payable - long-term	22,928	18,424	4,504
Total notes and bonds payable	$ 75,158	$ 80,686	$ (5,528)

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

Results of Operation – Year ended March 31, 2013 compared to Year Ended March 31, 2012

Statement of Revenues, Expenses and Changes in Net Position

(in thousands of dollars)	2013 (as restated)	2012 (as restated)	Increase (Decrease)
Operating revenues			
Rental revenue	$ 14,159	$ 14,077	$ 82
HUD subsidies and grants	91,281	89,691	1,590
ARRA revenue	118	365	(247)
Development fee revenue	953	95	858
State, local and other grants	4,620	3,741	879
Other	2,138	1,284	854
	113,269	109,253	4,016
Operating expenses			
Housing assistance payments	71,886	67,786	4,100
Administration	19,467	21,028	(1,561)
Tenant services	4,350	4,174	176
Utilities	4,265	4,182	83
Maintenance	9,097	9,274	(177)
Depreciation	8,193	8,132	61
Other	1,420	1,101	319
Impairment charge	-	3,641	(3,641)
	118,678	119,318	(640)
Operating income/(loss)	(5,409)	(10,065)	4,656
Nonoperating revenues (expenses)			
Investment income	606	563	43
Interest expense	(2,868)	(3,381)	513
Investment in partnership valuation charge	3	(37)	40
Financing costs	(349)	(865)	516
Loss on sale of capital assets	(1,185)	(1,378)	193
Gain on sale of assets available for sale	112	1,797	(1,685)
	(3,681)	(3,301)	(380)
Income (Loss) before Capital Contributions	(9,090)	(13,366)	4,276
Capital Contributions			
HUD non-operating contributions	9,336	2,889	6,447
Other non-operating contributions	1,045	15,724	(14,679)
ARRA non-operating contributions	-	3,278	(3,278)
	10,381	21,891	(11,510)
Increase in net position	1,291	8,525	(7,234)
Net position - Beginning of year, as restated	211,521	202,996	8,525
Net position - End of year	$ 212,812	$ 211,521	$ 1,291

Fiscal year 2013 generated an operating loss of $5.4 million. This result is a $4.7 million improvement in operating income from fiscal year 2012. Total operating revenues were $4.0 million higher while operating expenses decreased by $0.6 million.

Operating revenues of $113.3 million increased $4.0 million from fiscal year 2012. HUD housing assistance subsidies increased $3.9 million while public housing operating subsidies decreased $1.9 million. Additionally, there was a $0.9 million increase in development fee revenue, mainly due to fees earned for Stephens Creek Crossing, a $0.9 million increase in state, local and other grants due to an increase in rent assistance grants from the City of Portland and a $0.9 million increase in other revenue due to improved collection of general partner fees. These increases were offset by a $0.4 million decrease in HUD grants for relocation work associated with the Stephens Creek Crossing HOPE VI project and a reduction in non-capitalized work eligible for HUD capital grant funds.

Operating expenses decreased $0.6 million to $118.7 million in 2013. This was mainly due to an increase in housing assistance payments of $4.1 million offset by decreases in impairment of capital assets of $3.6 million and administration expenses of $1.6 million.

Nonoperating revenues (expenses) netted $3.6 million of expenses in 2013, an increase of $0.4 million. This was due mainly to $1.7 million lower gain on sale of assets as the final scattered site sold in 2013 compared to 18 units sold in 2012 offset by a reduction of $0.5 million in interest expense and a reduction of financing costs of $0.4 million.

During 2013, capital contributions from HUD and other sources totaled $10.4 million with funds mainly supporting the Stephens Creek Crossing HOPE VI project.

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Forward Looking information

In December 2013, Home Forward submitted a rental assistance demonstration (RAD) application to the U.S. Department of Housing and Urban Development (HUD) to convert up to 860 units of public housing at twelve properties into either the project based voucher or project based rent assistance funded units. Home Forward received notification that HUD has already received enough applications to utilize the congressional cap limit of 60,000 units and that no further approval beyond that limit will occur without additional legislative action. Once there is additional approval, Home Forward will engage with HUD to execute the application.

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Contact Information

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

HOME FORWARD

STATEMENTS OF NET POSITION

As of March 31, 2014 and 2013 (with Discretely Presented Component Units as of December 31, 2013 and 2012)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2014	**March 31, 2013 (as restated)**	**December 31, 2013**	**December 31, 2012**
ASSETS AND DEFERRED OUTFLOWS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 22,808,194	$ 12,923,131	6,851,077	$ 5,269,524
Cash and cash equivalents - restricted	19,511,299	21,113,179	12,389,923	11,932,090
Investments - restricted	-	-	2,856,241	1,310,969
Accounts receivable, net	4,245,884	6,366,629	514,749	1,563,301
Due from partnerships, net	3,255,298	1,631,704	-	-
Prepaid expenses	891,968	871,526	229,909	212,259
Current portion of notes receivable - partnerships	10,582,795	803,933	-	-
	61,295,438	43,710,102	22,841,899	20,288,143
NON-CURRENT ASSETS:				
Investments - restricted	1,891,637	2,039,707	672,225	1,144,905
Notes and accrued interest receivable	100,206,753	96,168,717	382,624	382,624
Notes receivable - partnerships	34,745,302	40,082,956	-	-
Other assets	-	-	3,284,487	3,463,506
Investments in partnerships	23,449,675	23,771,063	-	-
Capital assets not being depreciated	30,549,087	24,288,512	50,596,401	24,229,709
Capital assets being depreciated, net	108,098,334	108,550,668	207,161,961	223,714,115
	298,940,788	294,901,623	262,097,698	252,934,859
ASSETS AVAILABLE FOR SALE	-	3,264,295	-	-
TOTAL ASSETS BEFORE DEFERRED OUTFLOWS OF RESOURCES	360,236,226	341,876,020	284,939,597	273,223,002
Deferred outflows of resources - derivative instruments	1,462,912	2,186,084	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 361,699,138	$ 344,062,104	$ 284,939,597	$ 273,223,002

(continued)

See accompanying notes to the financial statements.

HOME FORWARD

STATEMENTS OF NET POSITION

As of March 31, 2014 and 2013 (with Discretely Presented Component Units as of December 31, 2013 and 2012)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2014	March 31, 2013	December 31, 2013	December 31, 2012
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Line of credit	$ 1,282,526	$ 1,351,023	$ -	$ -
Accounts payable	3,496,065	2,517,844	5,380,333	908,087
Accrued interest payable, payable from restricted assets	420,479	467,606	475,661	531,643
Other accrued liabilities	2,354,223	2,492,324	5,495,154	7,787,602
Unearned revenue	1,049,141	1,053,475	136,209	180,238
Deposits, payable from restricted assets	1,774,666	1,672,603	1,008,224	958,006
Current portion of notes payable	840,548	2,847,236	11,465,261	1,886,569
Current portion of bonds payable	1,376,184	1,299,464	-	-
Current portion of bonds payable - partnerships	10,582,795	803,933	-	-
	23,176,627	14,505,508	23,960,842	12,252,145
NON-CURRENT LIABILITIES:				
Notes payable - long-term	54,599,427	48,083,766	186,691,795	181,197,853
Bonds payable - long-term	23,814,728	22,928,316	-	-
Bonds payable - partnerships	34,745,302	40,082,956	-	-
Accrued interest - long-term	4,184,608	3,067,076	7,712,556	6,709,278
Other liabilities	495,230	396,600	1,820,933	2,400,006
	117,839,295	114,558,714	196,225,284	190,307,137
TOTAL LIABILITES BEFORE DEFERRED INFLOWS OF RESOURCES	141,015,922	129,064,222	220,186,126	202,559,282
Deferred inflows of resources - derivative instruments	1,462,912	2,186,084	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	142,478,834	131,250,306	220,186,126	202,559,282
NET POSITION:				
Net investment in capital assets	60,340,777	59,967,494	62,346,811	64,859,402
Restricted				
Real estate sale proceeds	10,682,024	13,509,050	-	-
Residual receipts	134,200	132,441	-	-
Funds held in trust	5,611,532	4,804,963	10,614,570	13,440,894
Unused PILOT funds	88,097	159,916	-	-
	16,515,853	18,606,370	10,614,570	13,440,894
Unrestricted (deficit)	142,363,674	134,237,934	(8,207,910)	(7,636,576)
TOTAL NET POSITON	219,220,304	212,811,798	64,753,471	70,663,720
TOTAL LIABILITEIS, DERERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 361,699,138	$ 344,062,104	$ 284,939,597	$ 273,223,002

See accompanying notes to the financial statements.

HOME FORWARD

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended March 31, 2014 and 2013 (with Discretely Presented Component Units Years Ended December 31, 2013 and 2012)

	HOME FORWARD		DISCRETELY PRESENTED COMPONENT UNITS	
	March 31, 2014	March 31, 2013 (as restated)	December 31, 2013	December 31, 2012
OPERATING REVENUES:				
Dwelling rental	$ 13,754,921	$ 12,473,103	$ 13,582,951	$ 14,676,688
Non-dwelling rental	2,309,235	1,686,003	508,746	482,407
HUD operating subsidies	83,161,044	84,886,414	2,735,231	2,209,902
HUD grants	6,430,029	6,394,836	-	-
ARRA revenue	-	117,860	-	-
Development fee revenue	3,161,195	952,901	-	-
State, local and other grants	5,565,999	4,620,197	-	-
Other	3,532,361	2,137,581	1,193,439	1,308,789
	117,914,784	113,268,895	18,020,367	18,677,786
OPERATING EXPENSES:				
Housing assistance payments	69,859,223	71,885,606	56,458	63,595
Administration	19,833,398	19,466,907	5,288,099	5,647,081
Tenant services	4,481,072	4,350,175	352,549	343,284
Utilities	4,608,178	4,265,433	2,524,973	2,465,843
Maintenance	8,718,412	9,096,882	3,462,505	3,251,687
Depreciation	8,436,660	8,193,281	11,827,307	12,279,225
General and other	1,022,136	1,419,546	1,400,073	935,501
	116,959,079	118,677,830	24,911,964	24,986,216
OPERATING INCOME/(LOSS)	955,705	(5,408,935)	(6,891,597)	(6,308,430)
NONOPERATING REVENUES (EXPENSES):				
Investment income	414,837	605,986	102,103	120,829
Interest expense	(2,297,790)	(2,867,749)	(4,166,401)	(4,571,974)
Investment in partnership valuation charge	(2,885,254)	2,910	-	-
Change in derivative contract valuation	-	-	645,123	(160,672)
Financing costs	(36,540)	(349,520)	(175,700)	(196,835)
Loss on disposal of capital assets	(733,336)	(1,185,104)	(67,604)	(49,322)
Gain on sale of capital assets	471,042	-	-	-
Gain on sale of assets available for sale	4,676,385	112,179	-	-
	(390,656)	(3,681,298)	(3,662,479)	(4,857,974)
INCOME/(LOSS) BEFORE CAPITAL CONTRIBUTIONS	565,049	(9,090,233)	(10,554,076)	(11,166,404)
CAPITAL CONTRIBUTIONS:				
HUD nonoperating contributions	5,135,925	9,335,711	-	-
Other nonoperating contributions	707,532	1,045,191	-	-
Partner contributions	-	-	4,643,827	21,242,129
	5,843,457	10,380,902	4,643,827	21,242,129
INCREASE (DECREASE) IN NET POSITION	6,408,506	1,290,669	(5,910,249)	10,075,725
NET POSITION—Beginning of year (as previously reported)	212,811,798	213,123,960	70,663,720	60,587,995
Restatement	-	(1,602,831)	-	-
NET POSITION-Beginning of year (as restated)	212,811,798	211,521,129	-	-
NET POSITION—End of year	$ 219,220,304	$ 212,811,798	$ 64,753,471	$ 70,663,720

See accompanying notes to the financial statements.

HOME FORWARD

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2014 and 2013

	HOME FORWARD	
	March 31, 2014	March 31, 2013 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from HUD operating subsidies and grants	$ 90,127,944	$ 84,754,582
Receipts from state, local and other grants	5,501,060	4,605,846
Receipts from tenants and landlords	15,931,727	14,180,526
Receipts from developer fees	1,330,418	3,384,338
Receipts from others	2,420,580	5,146,723
Payments to landlords	(69,837,132)	(71,993,791)
Payments to and on behalf of employees	(19,625,388)	(19,601,710)
Payments to vendors, contractors and others	(18,187,594)	(19,263,825)
	7,661,614	1,212,689
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES:		
Proceeds from line of credit	20,000,000	24,500,000
Payments on line of credit	(20,000,000)	(24,500,000)
	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES:		
Proceeds from line of credit	4,319,225	5,087,678
Payments on line of credit	(4,387,722)	(4,088,368)
Proceeds from issuance of notes payable	2,426,002	713,995
Proceeds from issuance of bonds payable	1,186,191	453,387
Proceeds from issuance of bonds payable - partnership	9,305,141	1,214,221
Interest paid on notes and bonds payable	(2,472,552)	(2,367,559)
Principal payments on notes payable	(868,297)	(9,843,779)
Principal payments on bonds payable	(4,377,292)	(1,018,558)
Principal payments on bonds payable - partnerships	(673,933)	(960,290)
Restricted cash and cash equivalents received from limited partnership purchases	353,642	464,487
Restricted cash and cash equivalents received from others	102,063	26,254
Sales (purchases) of restricted investments	509,455	(33,432)
HUD capital and other nonoperating contributions	8,635,684	10,445,957
Acquisition and construction of capital assets	(8,669,594)	(9,408,110)
Improvements of assets available for sale	-	8,879,656
Proceeds from the sale of capital assets	606,357	-
Proceeds from the sale of assets available for sale	7,940,680	141,935
	13,935,049	(292,526)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of investments	-	5,083,940
Financing costs	(36,540)	(211,331)
Issuance of notes receivable	(4,583,365)	(10,467,805)
Issuance of notes receivable - partnerships	(9,305,141)	(1,214,221)
Collections on notes receivable	131,714	181,964
Collections on notes receivable - partnerships	673,933	960,290
Change in due from partnerships, net	(1,587,227)	318,358
Change in investments in partnerships, net	(393,995)	730
Investment income	1,787,140	1,669,691
	(13,313,481)	(3,678,384)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,283,183	(2,758,221)
CASH AND CASH EQUIVALENTS—Beginning of year	34,036,310	36,794,531
CASH AND CASH EQUIVALENTS—End of year	$ 42,319,493	$ 34,036,310

(Continued)

See accompanying notes to the financial statements.

HOME FORWARD

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2014 and 2013

	HOME FORWARD	
	March 31, 2014	March 31, 2013
CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	$ 22,808,194	$ 12,923,131
Cash and cash equivalents - restricted	19,511,299	21,113,179
Total cash and cash equivalents	$ 42,319,493	$ 34,036,310
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ 955,705	$ (5,408,935)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:		
Depreciation	8,436,660	8,193,281
Changes in assets and liabilities:		
Accounts receivable - net	(747,551)	(2,473,638)
Developer fee receivable	(1,830,777)	2,431,437
Prepaid expenses	(8,706)	84,261
Accounts payable	920,480	(486,745)
Other accrued liabilities	(138,101)	(98,060)
Other liabilities	98,630	125,767
Unearned revenue	(24,726)	(1,154,679)
Net cash flows from operating activities	$ 7,661,614	$ 1,212,689
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS		
Foregiveness of notes payable	$ 1,336,024	$ 2,081,433
Change in investment in partnerships	$ 817	$ 830
Donated capital assets	$ 88,508	$ 13,293
Payment to refunded bond escrow from refunding bond proceeds	$ -	$ 4,025,000
Equity transfer - limited partnership purchase		
Restricted assets	$ 787,725	$ 1,021,281
Other assets	28,014	168,565
Capital assets	6,532,927	5,452,057
Other liabilities	(219,245)	(260,572)
Tenant security deposits	(72,698)	(84,114)
Accrued interest payable from restricted assets	(1,309,104)	(64,891)
Notes payable	(3,666,659)	(849,416)
Bond payable	(4,090,295)	(5,380,000)
Net position	2,009,335	(2,910)
	$ -	$ -

See accompanying notes to the financial statements.

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.

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

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

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

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

On September 1, 2013, Home Forward transferred ownership of four public housing buildings to HFDE. These buildings are Gallagher Plaza, Hollywood East, Northwest Towers, and Sellwood Center. The funding for these buildings changed from public housing operating subsidy to project based Section 8 vouchers. HFDE will operate these four buildings until the buildings are transferred into Low Income Housing Tax Credits Partnerships with Home Forward as the general partner.

HFDE and Home Forward have a financial and operational relationship in which Home Forward appoints a voting majority of HFDE's board and has the ability to impose its will on HFDE and thus HFDE's financial statements is blended into Home Forward's financial statements.

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

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

General Partner Ownerships presented in both December 31, 2013 and 2012 discretely presented component unit results:

- 1115 SW 11th Avenue Limited Partnership
- Beech Street 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
- Lovejoy Station Limited Partnership
- RAC Housing Limited Partnership
- Rockwood Landing Limited Partnership**
- Sequoia Square Limited Partnership
- Stephens Creek Crossing North Limited Partnership
- Stephens Creek Crossing South Limited Partnership
- St. Francis Limited Partnership
- Trouton Limited Partnership
- Union Station A LIH Limited Partnership***
- Woolsey Limited Partnership

* On June 12, 2013, Beech Street Limited Partnership admitted Wells Fargo Affordable Housing Community Development Corporation as Limited Partner. Beech Street's financial results are only included in the December 31, 2013 totals.

** On February 25, 2014, Home Forward purchased the limited partnership's interest for the Columbia Street Limited Partnership and Rockwood Landing Limited Partnership. See Note 2 for additional information.

*** On January 24, 2013, Home Forward purchased the limited partnership's interest for Union Station Limited Partnership. Union Station's January 2013 results are included in the December 31, 2013 totals.

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

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

Public Housing—Home Forward owns, operates and maintains 1,982 units of Public Housing, of which 637 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, 2014 and 2013, Home Forward administered approximately 8,900 and 8,620 vouchers, respectively, 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 4,536 units of housing, of which 637 are public housing units. The Affordable Housing portfolio consists of 42 multifamily properties representing 4,536 units, of which 1,990 are owned through tax credit partnerships. The Special Needs portfolio consists of 34 properties representing 524 units. The Special Needs properties were developed using grant funds received from the State of Oregon and Federal programs combined with contributions from Home Forward and other local agencies.

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

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

Basis of Accounting—Home Forward maintains its accounting records as a proprietary fund using the accrual basis of accounting. Home Forward distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses are derived from providing services in connection with Home Forward's ongoing operations. Operating revenues, generally, include rental income, operating subsidies, operating grant revenue and development fee income. Operating expenses, generally, include housing assistance payments, occupancy charges, tenant services, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are classified as non-operating revenues and expenses.

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

Cash and Cash Equivalents—Cash and cash equivalents consists of unrestricted 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.

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, 2014 and 2013, 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 2014 and 2013, 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.

Real estate sale proceeds include proceeds from the sale of public housing scattered site units where the funds must be used for the acquisition/investment in affordable housing or the repair/rehabilitation of remaining public housing units. These funds are deposited in checking, money market accounts and the Oregon Local Government Investment Pool ("LGIP") or investments with original maturities of 90 days or less.

Concentration of Risk— Federal regulations require that public funds on deposit with financial institutions be secured at a rate of 100% of amounts in excess of deposit insurance coverage. Home Forward maintains cash balances at several financial institutions, some in excess of the federally insured amount of $250,000 per Employee Identification Number. Financial institutions insure these excess balances either via the Oregon State Treasurer's office by designating these balances as Public Funds per ORS 295 or via other collateral agreements at the Federal Reserve Bank and/or the Federal Home Loan Bank. As of March 31, 2014 and 2013, 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 measurement) 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, 2014 as compared to March 31, 2013. 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, 2014 and 2013. Investments in derivatives are valued based upon quoted prices for similar assets in active markets.

The following table sets forth by level, within the fair value hierarchy, Home Forward's assets and liabilities at fair value as of March 31, 2014:

	Level 1	Level 2	Level 3	Total
Repurchase agreements	$ -	$ 1,891,637	$ -	$ 1,891,637
Investments in derivatives	-	(1,462,912)	-	(1,462,912)
	$ -	$ 428,725	$ -	$ 428,725

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, 2013:

	Level 1	Level 2	Level 3	Total
Repurchase agreements	$ -	$ 2,039,707	$ -	$ 2,039,707
Investments in derivatives	-	(2,186,084)	-	(2,186,084)
	$ -	$ (146,377)	$ -	$ (146,377)

Due from partnerships, net—This 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.

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

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

Investments in Partnerships represents Home Forward's equity interest in 22 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.

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. $100,185 and $16,020 of interest from the New Market West Rehab was capitalized for the years ended March 31, 2014 and 2013, 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.

Unearned Revenue— Unearned 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, 2014 and 2013.

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 and grants revenues 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, 2014 and 2013 were $1,373,686 and $1,393,892, 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. Total payments in lieu of taxes for March 31, 2014 and 2013 were $225,000 and $225,500, respectively.

Income Taxes—Home Forward adopted the provisions of FASB ASC Topic 740-10 *Accounting for Uncertainty in Income Taxes* (Topic) 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. No expense for interest or penalties is recognized in the financial statements. Management believes the tax credit limited partnerships have not taken any uncertain tax positions, as defined in the Topic.

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

Reclassifications**—**Certain amounts on the financial statements for the year ended March 31, 2013, have been reclassified to be consistent with the classifications adopted for the year ended March 31, 2014.

New pronouncements adopted**—**As of April 1, 2012, Home Forward adopted the provisions of following GASB statements:

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus.* Statement No. 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*. The Statement improves 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. 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. 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 implementation of this Statement did not have a significant impact on Home Forward's financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 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. Refer to Note 20 for this Statement's impact to Home Forward's financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statement No. 10 and 62*. Statement No. 66 amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the reuqirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The implementation of this Statement did not have a significant impact on Home Forward's financial statements.

Summary 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:

During June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 establishes accounting and financial reporting requirements for pension plans that are administered through trusts. Statement No. 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 No. 68 also requires that notes to financial statements of cost-sharing employers include descriptive information about the pension plan, including the discount rate and assumptions used to calculate of their proportionate shares of net pension liabilities. Statement No. 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.

During January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* It establishes accounting related to government combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. Statement No. 69 also establishes the required financial statement disclosure for government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013.

During April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Nonexchange financial guarantees are financial guarantees from a government for obligations of another entity. These guarantees are without directly receiving equal or approximately equal value in exchange. Statement No. 70 requires nonexchange financial guarantee, which will likely be required to make a payment to the guarantee, to be recognized as a liability. Statement No. 70 also established the required disclosures for nonexchange financial guarantees for the government that extend and the government that receives nonexchange financial guarantees. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013.

During November 2013, GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date.* This statemetnent improves the accounting and financial reporting by addressing an issue in Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing enitity to a defined benefit pension plan after the measurement date of the government's beginning net pension liablitity. The requirements of this Statement are effective for financial statements for the 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 2014, Home Forward earned $3.2 million in developer fees and was paid $1.3 million. In 2013, Home Forward earned $952,901 in developer fees and was paid $3.4 million.

At March 31, 2014 and 2013, the balance of the development fees owed to Home Forward is $6.4 million and $4.8 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 $278,217 and $415,472 in 2014 and 2013, respectively.

During the year ended March 31, 2014, the following acquisition of interest in tax credit partnerships occurred:

On February 25, 2014, Home Forward purchased the remaining 99.99% interest in Rockwood Landing Limited Partnership. Upon purchase, the partnership was dissolved. A summary of the partnership's statement of net position at the time of purchase was:

Total Assets	$	2,036,613
Total Liabilities		1,593,497
Net Position	$	443,116

On February 25, 2014, Home Forward purchased the remaining 99.9% interest in Columbia Street Limited Partnership. Upon purchase, the partnership was dissolved. This property is now reported as Gretchen Kafoury Commons. A summary of the partnership's statement of net position at the time of purchase was:

Total Assets	$	5,312,052
Total Liabilities		7,764,503
Net Position	$	(2,452,451)

During the year ended March 31, 2013, the following acquisition of interest in tax credit partnerships occurred:

On January 24, 2013, Home Forward purchased the remaining 99.9% interest in Yards at Union Station Limited Partnership. Upon purchase, the partnership was dissolved. A summary of the partnership's statement of net position at the time of purchase was:

Total Assets	$	6,641,903
Total Liabilities		6,638,993
Net Position	$	2,910

3. INVESTMENTS

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

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, 2014 and 2013, all investments were insured or registered, and held by Home Forward or its agent in Home Forward's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in Home Forward's name and were not exposed to custodial credit risk.

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

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

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

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

Investments – restricted consist of the following at March 31, 2014:

		Investment maturities (in years)				
	Credit Rating	< 1 yr	1-3 yrs	>3 yrs	Fair Value	% of total investments
NON-CURRENT						
Investments - restricted						
Repurchase agreement - Bayerisch	A3	$ -	$ -	$ 1,310,006	$ 1,310,006	69%
Repurchase agreement - Societe Generale	A2	-	-	581,631	581,631	31%
TOTAL		$ -	$ -	$ 1,891,637	$ 1,891,637	100%

Investments – restricted consist of the following at March 31, 2013:

	Credit Rating	Investment maturities (in years) < 1 yr	1-3 yrs	>3 yrs	Fair Value	% of total investments
NONCURRENT						
Investments - restricted						
Repurchase agreement - Bayerisch	Baa1	$ -	$ -	$ 1,496,853	$ 1,496,853	73%
Repurchase agreement - Societe Generale	A1	-	-	542,854	542,854	27%
TOTAL		$ -	$ -	$ 2,039,707	$ 2,039,707	100%

Investments - restricted for the year ended March 31, 2014, mature between January 2027 and December 2031 and the interest rate on the investments ranges from 4.25% to 5.35%. Investments - restricted for the year ended March 31, 2013, mature between April 2027 and May 2029 and the interest rate on the investments ranges from 4.57% to 5.92%. The repurchase agreements are guaranteed investment contracts.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at March 31:

	2014	2013
HUD grants	$ 1,389,987	$ 4,544,766
State, local and other grants	1,041,409	1,398,858
Tenants and landlords	874,575	942,776
Other	1,685,953	320,478
	4,991,924	7,206,878
Less allowance for doubtful accounts	(746,040)	(840,249)
Total accounts receivable, net	$ 4,245,884	$ 6,366,629

5. DUE FROM PARTNERSHIPS

Due from partnerships consists of the following at March 31:

	2014	2013
Stephens Creek Crossing North Limited Partnership	$ 1,741,486	$ 545,376
Cecelia Limited Partnership	609,869	546,275
Stephens Creek Crossing South Limited Partnership	535,409	379,232
Beech Street Limited Partnership	514,854	-
Woolsey Limited Partnership	457,430	382,429
Clay Street Limited Partnership	408,406	371,908
Gladstone Square Limited Partnership	305,609	278,094
Haven Limited Partnership	177,286	154,077
All other partnerships	511,181	875,754
	5,261,530	3,533,145
Less: allowance for doubtful accounts	(2,006,232)	(1,901,441)
Total due from partnerships	$ 3,255,298	$ 1,631,704

6. NOTES RECEIVABLE AND ACCRUED INTEREST

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

	2014	2013
Partnership notes	$ 100,341,232	$ 96,416,248
Homeowners notes	228,300	228,300
	100,569,532	96,644,548
Accrued interest receivable	6,517,607	5,962,023
Less: Allowance for doubtful accounts	(6,880,386)	(6,437,854)
Total notes and accrued interest receivable	$ 100,206,753	$ 96,168,717

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

Homeowners' notes are secured by deed of trust and accrue interest at 5% per annum. Accumulated unpaid interest will be forgiven if owner completes required homeowner education classes and remains in the house for five years. As of March 31, 2014 and 2013, all Homeowners' accrued interest had been forgiven. 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:

	2014	2013
RAC Housing Limited Partnership	$ 21,186,036	$ 21,186,251
Cecilia Limited Partnership	1,273,053	1,273,151
Haven Limited Partnership	516,055	516,092
Lovejoy Station Limited Partnership	256,861	256,694
Clay Street Limited Partnership	96,316	96,479
Gladstone Square Limited Partnership	70,243	70,365
All other partnerships	51,111	372,031
Total investments in partnerships	$ 23,449,675	$ 23,771,063

8. CAPITAL ASSETS

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

	Balance April 1, 2013	Additions and transfers in	Disposals and transfers out	Reclassified as Available for Sale	Balance March 31, 2014
Land	$ 22,511,031	$ 827,538	$ (37,129)	$ -	$ 23,301,440
Construction in progress	1,777,481	9,192,202	(3,722,036)	-	7,247,647
Total capital assets not being depreciated	24,288,512	10,019,740	(3,759,165)	-	30,549,087
Buildings and improvements	180,161,181	14,814,459	(1,814,397)	-	193,161,243
Equipment	13,311,802	808,453	(44,425)	-	14,075,830
	193,472,983	15,622,912	(1,858,822)	-	207,237,073
Less: Accumulated depreciation					
Buildings and improvements	(75,816,102)	(13,398,899)	991,108	-	(88,223,893)
Equipment	(9,106,213)	(1,839,909)	31,276	-	(10,914,846)
Total Accumulated depreciation	(84,922,315)	(15,238,808)	1,022,384	-	(99,138,739)
Total capital assets being depreciated	108,550,668	384,104	(836,438)	-	108,098,334
Total capital assets, net	$ 132,839,180	$ 10,403,844	$ (4,595,603)	$ -	$ 138,647,421

	Balance April 1, 2012	Additions and transfers in	Disposals and transfers out	Reclassified as Available for Sale	Balance March 31, 2013
Land	$ 21,021,757	$ 2,680,652	$ (397,839)	$ (793,539)	$ 22,511,031
Construction in progress	2,551,472	7,304,208	(8,078,199)	-	1,777,481
Total capital assets not being depreciated	23,573,229	9,984,860	(8,476,038)	(793,539)	24,288,512
			-		
Buildings and improvements	180,100,150	16,690,716	(12,691,438)	(3,938,247)	180,161,181
Equipment	14,365,528	507,479	(1,561,205)	-	13,311,802
	194,465,678	17,198,195	(14,252,643)	(3,938,247)	193,472,983
Less: Accumulated depreciation					
Buildings and improvements	(67,505,583)	(12,301,253)	2,523,243	1,467,491	(75,816,102)
Equipment	(7,977,308)	(1,788,233)	659,328	-	(9,106,213)
Total Accumulated depreciation	(75,482,891)	(14,089,486)	3,182,571	1,467,491	(84,922,315)
Total capital assets being depreciated	118,982,787	3,108,709	(11,070,072)	(2,470,756)	108,550,668
Total capital assets, net	$ 142,556,016	$ 13,093,569	$ (19,546,110)	$ (3,264,295)	$ 132,839,180

9. ASSETS AVAILABLE FOR SALE

On December 19, 2013, Home Forward sold St Johns Woods Apartment to Vitus Group for $8,281,250 with sale costs of $340,570 and net proceeds received of $7,940,680. Home Forward recorded a gain of $4,676,385 from the sale.

Total net book value of remaining assets available for sale as of March 31, 2014 and March 31, 2013 is $0 and $3,264,295, 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 for capital and noncapital activities. 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 2014 and 2013 gross draws, including initial draws and draws after repayments, on the line of credit were $24,319,225 and $29,587,678, respectively, which represents both principal and accrued interest. The remaining outstanding line of credit balance for March 31, 2014 and 2013 is $1,282,526 and $1,351,023, respectively. A summary of activity for Home Forward's line of credit for years ended March 31, 2014 and 2013 is as follows:

Balance April 1, 2013	Draws	Repayments	Balance March 31, 2014
$ 1,351,023	$ 24,319,225	$ (24,387,722)	$ 1,282,526

Balance April 1, 2012	Draws	Repayments	Balance March 31, 2013
$ 351,713	$ 29,587,678	$ (28,588,368)	$ 1,351,023

11. NOTES PAYABLE

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

Property	Interest Rate at March 31, 2014	Interest Rate at March 31, 2013	Final Maturity Date*	Payment Terms	2014	2013
Schiller Way	4.00%	4.00%	2030	Monthly	$ 560,435	$ 585,313
Schiller Way	4.14%	4.14%	2021	Monthly	167,240	187,989
Richmond Place	3.00%	3.00%	2016	Maturity Date	500,000	500,000
Development Department	0.00%	0.00%	2019	Maturity Date	382,624	382,624
Mulnomah Manor	6.75%	6.75%	2034	Monthly	1,176,507	1,201,684
Turning Point	3.81%	3.81%	2032	Monthly	403,460	418,205
Willow Tree	4.42%	4.42%	2036	Monthly	651,779	668,936
Cambridge Court	8.50%	8.50%	2017	Monthly	95,713	124,083
Cambridge Court	1.00%	1.00%	2032	Cash Flow	526,600	526,600
Cambridge Court	0.00%	0.00%	2032	Cash Flow	397,753	397,753
Dawson Park	3.00%	3.00%	2022	Cash Flow	545,227	545,227
Fenwick Apts	3.77%	3.77%	2025	Monthly	1,311,447	1,351,618
Fenwick Apts	0.00%	0.00%	Sale of Property	Cash Flow	1,180,211	1,180,211
Fenwick Apts	3.00%	3.00%	2034	Monthly	160,726	166,239
Helen Swindells	3.00%	3.00%	2023	Cash Flow	1,483,870	1,483,870
Helen Swindells	3.00%	3.00%	2023	Cash Flow	600,451	600,451
Kelly Place	5.39%	5.39%	2028	Monthly	377,831	395,296
James Hawthorne	0.00%	0.00%	Sale of Property	Cash Flow	5,728,950	5,728,950
North Interstate	0.00%	0.00%	Sale of Property	Cash Flow	929,905	929,905
Yards at Union Station	3.00%	3.00%	2027	Monthly	1,322,344	1,409,538
Pearl Court	3.00%	3.00%	2027	Monthly	913,951	973,922
Peter Paulson	7.91%	7.91%	2024	Cash Flow	1,021,301	1,021,301
Peter Paulson	0.50%	0.50%	2024	Cash Flow	250,000	250,000
Peter Paulson	0.00%	0.00%	2024	Cash Flow	689,636	689,636
Schiller Way	0.00%	0.00%	Sale of Property	Cash Flow	505,351	505,351
Sequoia Square	0.00%	0.00%	2040	Cash Flow	514,486	514,486
St Francis LP	0.00%	0.00%	Sale of Property	Cash Flow	5,308,681	5,308,681
SW 45th (Carriage Hill Apts)	0.00%	0.00%	Sale of Property	Cash Flow	180,898	181,420
Forward balance to next page					$ 27,887,377	$ 28,229,289

Property	Interest Rate at March 31, 2014	Interest Rate at March 31, 2013	Final Maturity Date*	Payment Terms	2014	2013
Forward balance from previous page					$ 27,887,377	$ 28,229,289
SW 45th (Carriage Hill Apts)	3.00%	3.00%	2032	Monthly	36,823	38,278
Willow Tree	3.00%	3.00%	2035	Monthly	178,312	178,312
Fairview Oaks & Woods	3.58%	3.58%	2041	Monthly	11,749,744	11,948,681
Rockwood Station	3.58%	3.58%	2041	Monthly	4,719,724	4,799,634
Hawthorn Home	6.00%	6.00%	2029	Monthly	54,230	56,308
Madison Home	6.00%	6.00%	2029	Monthly	54,051	56,139
North Interstate	6.00%	6.00%	2033	Monthly	473,792	486,322
Project Open Door	1.75%	1.75%	2027	Monthly	229,754	244,507
Russell Street House	8.97%	8.97%	2018	Monthly	18,700	22,248
Taylor Home	7.00%	7.00%	2029	Monthly	50,688	52,471
Ashcreek Commons**	3.94%	1.60%	2024	Monthly	2,051,744	2,110,052
Plaza Townhomes	7.00%	7.00%	2015	Monthly	139,567	212,003
Ainsworth Court	0.00%	0.00%	2052	Cash Flow	1,351,748	1,400,000
Madrona Apartments	7.25%	7.25%	2032	Monthly	1,068,650	1,096,758
Kelly Place	0.00%	-	2046	Maturity Date	350,456	-
Rockwood Landing	0.00%	-	2058	Maturity Date	150,000	-
Gretchen Kafoury	3.00%	-	2031	Maturity Date	2,664,000	-
Stephens Creek Crossing	0.00%	-	Project Completion	Converts to Grant	1,750,079	-
Helen Swindells	6.00%	-	2024	Monthly	3,364	-
Rockwood Landing	3.86%	-	2029	Maturity Date	457,174	-
					55,439,977	50,931,002
Less: Current portion of notes payable					(840,548)	(2,847,236)
Total notes payable					$ 54,599,427	48,083,766

* 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 notes was 1.60% at March 31, 2013. Ashcreek Common notes were converted to fixed rate of 3.94% as of March 31, 2014.

Notes Payables includes those notes related to equity gap financing. Equity gap financing is utilized to fund the difference between project costs and sources of construction and permanent financing, These notes bear interest rates between 0.00% and 8.97% with maturities due up through 2052 except for certain equity gap notes, which are not payable unless the property is sold.

A summary of activity of Home Forward's notes payable for 2014 and 2013 is as follows:

Balance April 1, 2013	Increase	Decrease	Balance March 31, 2014
$ 50,931,002	$ 5,377,272	$ (868,297)	$ 55,439,977

Balance April 1, 2012	Increase	Decrease	Balance March 31, 2013
$ 61,292,803	$ 1,563,411	$ (11,925,212)	$ 50,931,002

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

Fiscal year ending	Notes Payable	
March 31:	Principal	Interest
2015	$ 840,548	$ 1,278,417
2016	874,411	1,291,442
2017	1,342,389	1,553,765
2018	872,005	1,224,386
2019	897,151	1,196,634
2020-2024	11,109,800	5,436,450
2025-2029	5,447,226	3,776,517
2030-2034	6,900,852	2,282,827
2035-2039	3,279,414	1,408,292
2040-2044	4,015,260	828,937
2045-2049	2,771,734	203,581
2050-2053	1,351,748	41,701
Thereafter	15,737,439	-
Total	$ 55,439,977	$ 20,522,949

12. BONDS PAYABLE

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

Bond Issue	Bond Type	Interest Rate at March 31, 2014	Interest Rate at March 31, 2013	Final Maturity Date*	2014	2013
Ainsworth Court Series A	Fixed	5.78%	5.78%	2028	$ 2,420,000	$ 2,530,000
Capital Fund Program, Series A	Fixed	4.55%	4.52%	2025	3,555,000	3,900,000
Dawson Park 2012	Fixed	3.37%	3.37%	2027	1,671,626	1,768,011
New Market West 2013	Variable	1.76%	1.76%	2038	3,732,397	2,641,818
Pearl Court	Fixed	4.51%	4.49%	2027	4,575,000	4,830,000
St. Johns Woods Series A	Fixed	-	5.27%	N/A	-	2,960,000
St. Johns Woods Series B	Fixed	-	5.30%	N/A	-	270,000
Columbia Street	Fixed	5.43%	-	2031	4,060,000	-
Yards at Union Station	Fixed	4.74%	4.74%	2030	5,165,000	5,380,000
					25,179,023	24,279,829
Less current portion of bonds payable					(1,376,184)	(1,299,464)
					23,802,839	22,980,365
Plus unamortized premiums					30,144	-
Less unamortized discounts					(18,255)	(52,049)
Total					$ 23,814,728	$ 22,928,316

* NOTE: Calendar year of final maturity date

The unamortized premiums relate to Columbia Street. Unamortized discounts relate to Ainsworth Court Series A.

As discussed in Note 2, Home Forward acquired the remaining interest in Columbia Street Limited Partnership. This included the assumption of bonds payable for this property. In 2013 these bonds were reflected in the Bond Payable-Partnership as Columbia Street Limit Partnership.

On December 19, 2013, Home Forward sold St. Johns Woods Apartments to Vitus Group. Sales proceeds were used to retire St. Johns Woods Series A and Series B Bonds on January 1, 2014.

On May 1, 2012, Home Forward entered into a bond purchase agreement with a bank and issued Dawson Park Housing Refunding Revenue Bonds Series 2012 (Dawson Park 2012 Bonds) in the amount of $1,815,000 to current refund the outstanding principal of $1,815,000 of the Dawson Park Bonds Series 1995. The purpose of the refunding is to lower the financing costs for the bonds. The Dawson Park 2012 Bonds have a final maturity date of May 1, 2027 and bear interest at fixed rates of 3.37%.

On December 6, 2012, Home Forward issued New Market West Revenue Bonds Series 2013 (New Market West 2013 Bonds) in the amount not to exceed $4,210,000. Proceeds in the amount of $2,210,000 were drawn on January 1, 2013 to current refund the outstanding principal of $2,210,000 of the New Market West Bonds Series 2004. Proceeds in the amount of $1,216,486 and $431,818 were drawn during the years ended March 31, 2014 and 2013, respectively, to pay for the costs of rehabilitating the New Market West Project and costs of issuance of the bonds. The remaining proceeds will be drawn in the future year for the rehabilitating of the New Market West Project. The New Market West 2013 Bonds have a final maturity date of January 1, 2038 and bear variable interest that will be recalculated monthly based on the rate at which bonds can be remarketed.

A summary activity of Home Forward's bonds payable for 2014 and 2013 is as follows:

Balance April 1, 2013	Increase	Decrease	Balance March 31, 2014
$ 24,279,829	$ 5,276,486	$ (4,377,292)	$ 25,179,023

Balance April 1, 2012	Increase	Decrease	Balance March 31, 2013
$ 19,465,000	$ 9,858,387	$ (5,043,558)	$ 24,279,829

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

Fiscal year ending	Bonds Payable	
March 31:	Principal	Interest
2015	$ 1,376,184	$ 1,058,592
2016	1,429,570	998,042
2017	1,323,072	934,907
2018	1,381,692	875,515
2019	1,425,435	812,757
2020-2024*	10,189,908	3,026,492
2025-2029	6,633,162	1,095,768
2030-2032	1,420,000	76,950
Total	$ 25,179,023	$ 8,879,023

For the variable rate debt, the March 31, 2014 interest rate was used for the future interest calculation.

* Final debt payments for New Market West 2013 Bonds are assumed to be made on August 1, 2023 upon the expiration of the associated swap instrument.

13. BONDS PAYABLE AND NOTES RECEIVABLE—PARTNERSHIPS

Home Forward issued Multi-Family Housing Revenue Bonds, Tax-Exempt Tax Credit Notes Receivable and Taxable Tax Credit Notes Receivable for the purpose of providing financing to I.R.S. Section 42 Partnerships (see Note 7 and Note 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. Bonds payable—partnerships and the corresponding notes receivable—partnerships consist of the following at March 31:

Partnership	Bond Type	Interest Rate at March 31, 2014	Interest Rate at March 31, 2013	Final Maturity Date*	2014	2013
Lovejoy Station Limited Partnership	Fixed	5.96%	5.96%	2033	$ 10,640,000	$ 10,915,000
Civic Redevelopment Limited Partnership	Variable	0.08%	0.12%	2038	7,800,000	7,800,000
Trouton Limited Partnership	Variable	0.10%	0.16%	2037	5,715,000	5,840,000
Columbia Street Limited Partnership	Fixed	-	5.44%	N/A	-	4,190,000
Cecelia Limited Partnership	Variable	0.10%	0.16%	2035	3,530,000	3,610,000
Clay Street Limited Partnership	Fixed	5.43%	5.44%	2031	3,485,000	3,600,000
Fountain Place Limited Partnership	Fixed	5.80%	5.80%	2034	2,708,735	2,772,668
Stephens Creek Crossing North L.P.	Variable	1.80%	1.85%	2031	10,519,362	1,214,221
Humboldt Gardens Limited Partnership	Fixed	6.17%	6.17%	2040	930,000	945,000
					45,328,097	40,886,889
Less current portion					(10,582,795)	(803,933)
Total					$ 34,745,302	$ 40,082,956

* NOTE: calendar year of final maturity date

A summary activity of Home Forward's bonds payable for 2014 and 2013 is as follows:

Balance April 1, 2013 2	Increase	Decrease	Balance March 31, 2014
$ 40,886,889	$ 9,305,141	$ (4,863,933)	$ 45,328,097

Balance April 1, 2012	Increase	Decrease	Balance March 31, 2013
$ 46,012,958	$ 1,214,221	$ (6,340,290)	$ 40,886,889

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	Bond Payable - Tax Credit Partnership Interest
2015*	$ 10,582,795	$ 1,065,928
2016	1,385,838	1,016,510
2017	781,210	984,257
2018	830,814	950,563
2019	870,696	914,860
2020-2024	4,876,940	3,961,246
2025-2029	6,046,968	2,695,685
2030-2034	7,351,235	972,735
2035-2039	12,551,601	77,521
2040	50,000	1,215
Total	$ 45,328,097	$ 12,640,520

For the variable rate debt, the March 31, 2014 interest rate, as provided above, was used for the future interest calculation.

* Final debt service payments for Stephens Creek Crossing North L.P Bonds were assumed to be made on December 2014 upon the completion of the construction project.

14. ADDITIONAL BONDS PAYABLE INFORMATION

As of March 31, 2014, outstanding variable rate demand bonds and notes issued by Home Forward on its New Market West headquarters building, and four separate projects: Cecelia Limited Partnership (Cecilia), Trouton Limited Partnership (Trouton), Civic Limited Partnership (Civic), and Stephen Creek Crossing North Limited Partnership. During the year ended March 31, 2014, Home Forward converted the Ashcreek's variable rate note to a fixed rate note.

The bonds for each have the following common characteristics:

- Letters of Credit (LOC) have been issued Bank of America Securities (Cecelia and Trouton), equal to the amounts outstanding on the bonds plus one interest payment, and 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 and New Market West are not required to have a LOC or credit enhancement.

- The LOCs and CEA are intended not only to provide security to bondholders, but also to make periodic interest payments for which Home Forward regularly reimburses the banks.

- The banks act as a remarketing agent, reselling at market rates any bonds sold by bondholders. They have committed to repurchase bonds that cannot be resold on the open market.

- New Market West's interest rates are recalculated monthly, based on the rate at which bond can be remarketed. Interest rates for other bonds are recalculated weekly, based on the rate at which bonds can be remarketed.

- The annual remarketing fee on the outstanding amount of the bonds is 0.08% (Civic), 0.10% (Trouton) and 0.125% (Cecilia). Ashcreek and New Market West are 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 agreement caps the variable rate on the bonds to 3.6625%. The agreement is set to expire on September 1, 2023. In conjunction with the sale of Cecelia, Trouton, and New Market West-2012 bonds 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% at March 31, 2013. The swap instrument is at 2.5% on a notional amount of $2.11 million at March 31, 2013 for which Home Forward received 84% of the 30 day LIBOR rate. The fair value of the swap was $51,894 as of March 31, 2013. On March 27, 2014, Home Forward negotiated a term extension on Ashcreek's expiring variable note. The term extension was for ten years and the interest rate was converted to a fixed rate of 3.94%. The related swap instrument was terminated upon the conversion.

The Cecelia bonds mature in 2035. The variable rate on the bonds was 0.10% and 0.16% as of March 31, 2014 and 2013, respectively. The swap instrument associated with the remaining bonds matures July 1, 2021, and is fixed at 4.39% on a notional amount of $3.53 million at March 31, 2014 for which Home Forward receives the 30 day SIFMA rate. The fair values of the swap were $586,622 and $803,796 as of March 31, 2014 and 2013, respectively.

The Trouton bonds mature in 2038. The variable rate on the bonds was 0.10% and 0.16% as of March 31, 2014 and 2013, respectively. The swap instrument associated with the remaining bonds matures July 1, 2022, and is fixed at 4.188% on a notional amount of $5.71 million at March 31, 2014 for which Home Forward receives the 30 day SIFMA rate. The fair values of the swap were $895,772 and $1,251,086 as of March 31, 2014 and 2013, respectively.

New Market West bonds mature in 2038. The variable rate on the bonds was 1.73% and 1.76% as of March 31, 2014 and 2013, respectively. The swap instrument associated with the remaining bonds mature August 1, 2023 and is fixed at 1.73% on a notional amount of the outstanding principal of the New Market Bonds Series 2013 up to $4.21 million dollar for which Home Forward receives 65.2% of the 30 day LIBOR rate. The fair value of the swap was $(19,482) and $79,308 as of March 31, 2014 and 2013, 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, 2014 and March 31, 2013 was a decrease of $723,172 and an increase of $129,608, respectively. The fair value of the swap instruments are reflected as deferred inflow of resources - derivative instruments on the basic financial statements and are offset by corresponding deferred outflows of resources - derivative instruments.

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

- *Credit risk* - The aggregate fair value of the swaps represents Home Forward's credit exposure to the counterparties as of March 31, 2014 and 2013. 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, 2014 and 2013, Home Forward did not face a credit risk because the swap instruments had a negative value, except for the swap instruments for New Market West bonds that had a positive value at March 31, 2014. 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, 2014 and 2013, 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 bond. 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. The Ashcreek swap was terminated during the year ended March 31, 2014. This risk is minimized for the Cecilia and Trouton deals as both the underlying debt pays out based on weekly auction rates and the SIFMA rate is an average of auction rate activity.

- *Termination risk* – Counterparties are not allowed to optionally terminate, extend or substantially alter the terms of a swap without Home Forward's consent. Home Forward or counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If, at the time of termination, the hedging derivative instrument is in a liability position, Home Forward would be liable to the counterparty for payment of the absolute value of the swap position.

- *Rollover risk* – Rollover risk occurs when the expiration of the swap agreement occurs before the end of the termination of the underlying debt. Home Forward is exposed to rollover risk. The swap on the Cecilia bond terminates in July 2021 and the final bond payment is due in January 2035. The swap on the Trouton bond terminates in July 2022 and the final bond payment is due in April 2037. The swap on the New Market West bond terminates in August 2023 and the final bond payment is due in August 2038.

- *Interest rate risk* – Home Forward's swaps are structured to reduce Home Forward's exposure to interest rate risk by converting a variable rate to a fixed rate.

- *Market access risk* – Market access risk is the risk that a government will not be able to enter credit markets or that credit will become more costly. The ability to sell auction rate securities in an auction may be adversely affected if there are not sufficient buyers walling 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 cost sharing multiple-employer defined benefit plan administered by the State of Oregon Public Employees' Retirement System ("PERS"). PERS, 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 PERS 2013 Comprehensive Annual Financial Report:

> *The Oregon Public Employees Retirement System (PERS or "the System") provides statewide defined benefit retirement plans for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board (Board.)*
>
> *The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One.*
>
> *The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit) and the Individual Account Program (defined contribution). Membership includes public employees hired on or after August 29, 2003.*

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

PERS Pension (Defined Benefits)

Home Forward is a participant of the PERS pension program. PERS benefits, as described by the PERS 2013 Comprehensive Annual Financial Report are as follows:

Pension Benefits

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

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

Death Benefits

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

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

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

Disability Benefits

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

Monthly benefits are adjusted annually through cost-of-living changes. Two percent per year was the maximum cost-of-living adjustment (COLA) *in fiscal year 2013. The COLA in fiscal year 2014 will be capped at 1.5 percent for all benefit recipients. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.*

<u>OPSRP Pension Programs</u>

Home Forward is a participant of the OPSRP pension programs, a hybrid defined benefit/defined contribution plan for those employees hired after August 29, 2003. OPSRP benefits, as described by the PERS 2013 Comprehensive Annual Financial Report are as follows:

<u>OPSRP Pension Benefits (Defined Benefit)</u>

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.

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

Pension Benefits

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

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

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

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

Funding Status – Employees who are OPSRP members are required by State statute to contribute 6.0% of their salary to OPSRP and employers may agree to pay this required contribution. Home Forward pays the employee's required contribution for all represented employees, and pays for all non-represented employees hired before April 1, 2014. Non-represented employees hired after April 1, 2014 are required to pay their employee's required contribution. Additionally, employers are required to contribute actuarially computed amounts as determined by PERS on actuarial valuations performed at least every two years. Rates are subject to change as a result of subsequent actuarial valuations and legislative actions.

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

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

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

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

The amount to be contributed by Home Forward for the years ended March 31, 2014, 2013, and 2012 was approximately, $2,081,000, $2,163,000, and $2,195,000, respectively, which represents the required contributions for both the employee and the employer in each of the years presented. The balance of PERS payable as of March 31, 2014, 2013, and 2012, was $171,979, $176,268, and $208,547, respectively. This balance is recorded in other accrued liabilities on the financial statement.

Actuarial Period Ending	Required Employer Contributions	Required Employee Contributions	Total Required Contributions	Contributions Paid	Contributions to Required Contributions	Balance of PERS Payable
3/31/2014	$ 1,317,982	$ 762,888	$ 2,080,870	$ 2,076,581	100%	$ 171,979
3/31/2013	1,322,572	840,618	2,163,190	2,130,910	99%	176,268
3/31/2012	1,329,031	865,673	2,194,704	2,167,904	99%	208,547

Other Postemployment Healthcare Benefits

Retirement Health Insurance Account (RHIA)

As a member of PERS, Home Forward contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost sharing multiple-employer defined benefit other post-employment benefit (OPEB) plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statutes (ORS) 238.420 established this trust fund. The Oregon legislature has the ability to establish and amend the benefit provisions of the RHIA. The plan closed to new entrants after August 29, 2003.

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

Employer contributions are advance-funded on an actuarially determined basis. There is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in healthcare costs. Participating employees are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.59% of annual covered PERS payroll and 0.49% of OPSRP payroll. The PERS board sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Home Forward's contributions to RHIA for the years ended March 31, 2014, 2013 and 2012 were approximately, $100,000, $138,000, and $124,000, respectively.

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

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

As Home Forward pays none of premium of health insurance coverage for retirees from age 58 to 65, Home Forward has not established and does not intend to establish a trust fund to supplement the costs for other post-employment benefit obligation related to this implicit benefit. Home Forward's regular health care benefit providers underwrite the retirees' policies. Retirees may not convert the benefit into an in lieu payment to secure coverage under independent plans. At March 31, 2014 and 2013, there were 13 and 10 retirees and/or surviving spouses, respectively, receiving the post-employment implicit healthcare benefits.

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

Actuarial Period Ending	Annual OPEB Cost	Contributions Paid	Contributions to Required Contributions	Balance of PERS Payable
3/31/2014	$ 172,446	$ 73,816	43%	$ 495,230
3/31/2013	174,903	49,136	28%	396,600
3/31/2012	90,677	35,653	39%	270,833

	March 31, 2014	March 31, 2013
Annual required contribution	$ 180,193	$ 180,193
Interest on NET OPEB obligation	11,898	8,125
Adjustment to ARC for NET OPEB obligation	(19,645)	(13,415)
Annual OPEB cost	172,446	174,903
Contributions made	(73,816)	(49,136)
Increase in net OPEB obligation	98,630	125,767
Net OPEB Obligation - beginning of year	396,600	270,833
Net OPEB Obligation - end of year	$ 495,230	$ 396,600

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
3/31/2013	$ -	$ 1,813,482	$ 1,813,482	0%	$ 14,527,714	12%

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions for PERS/OPSRP/RHIA

Certain actuarial methods and assumptions for PERS, OPSRP and RHIA from the provided actuarial report ended December 31, 2012 and December 31, 2011 and used to calculate the above activity, includes:

Actuarial cost method	Entry Age Normal for 2012, Projected unit credit for 2011
Asset valuation method	Market value of assets
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare UAL are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, the amortization period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the odd-year valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the odd-year valuation in which they are first recognized.
Investment return	7.75% for 2012 and 8.0% for 2011 compounded annually on system assets.
Interest crediting	For pre-2014, 8.0% and 8.25% compounded annually on members' regular and variable account balances, respectively. For post-2013, 7.75% compounded annually on members' regular and variable account balances.
Consumer price inflation	2.75% per year
Future general wage inflation	3.75% per year
Healthcare cost inflation	Graded from 8.0% for 2012 and 6.9% for 2011

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, 2013 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	3.0% compounded annually on system assets
Interest rate discount	3.00% per year
Medical cost annual trend rate	7% to 10% initial increase, reducing to 5% over 4 to10 years
Dental cost annual trend rate	5% initial increase, reducing to 3% over 4 years

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 $17,500 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.

17. DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION

The Authority is the General Partner and holds a 0.01% to 0.1% 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, 2013 is as follows:

	Lovejoy Station	Union Station A LIH *	St. Francis	Cecilia	Trouton	Woolsey	Civic Redevelopment	Humboldt Gardens
ASSETS								
Cash and cash equivalents	$ 728,802	$ -	$ 87,682	$ 296,806	$ 227,377	$ 582,049	$ 113,756	$ 212,444
Cash and cash equivalents - restricted	735,506	-	627,915	1,073,144	1,209,128	981,958	1,315,989	1,515,022
Investments (restricted)- short term	1,232,180		-	-	-	-	-	-
Accounts receivables and other assets	29,305	-	72,084	70,125	153,020	58,733	21,738	46,452
Investments (restricted)- long term	-	-	-	-	-	-	-	-
Other assets	338,946	-	70,797	207,802	606,616	146,890	772,903	252,824
Capital assets - net	12,212,096	-	8,873,998	14,866,629	33,745,553	15,605,196	16,247,267	26,210,970
TOTAL	$ 15,276,834	$ -	$ 9,732,476	$ 16,514,506	$ 35,941,694	$ 17,374,826	$ 18,471,653	$ 28,237,712
LIABILITIES AND NET POSITION								
LIABILITIES:								
Current liabilities	$ 1,422,681	$ -	$ 544,200	$ 416,370	$ 560,610	$ 258,993	$ 1,730,477	$ 233,797
Long-term liabilities	14,160,106	-	7,209,603	14,935,851	32,697,008	5,058,921	13,694,467	20,788,506
Net position	(305,953)	-	1,978,673	1,162,285	2,684,076	12,056,912	3,046,709	7,215,409
TOTAL	$ 15,276,834	$ -	$ 9,732,476	$ 16,514,506	$ 35,941,694	$ 17,374,826	$ 18,471,653	$ 28,237,712
Operating revenues	$ 2,014,848	$ 89,479	$ 1,233,536	$ 1,190,329	$ 2,157,903	$ 1,061,904	$ 1,246,938	$ 859,063
Operating expenses	(1,104,629)	(112,900)	(1,018,377)	(1,870,456)	(3,559,992)	(1,842,371)	(1,424,913)	(1,838,481)
Operating income (loss)	910,219	(23,422)	215,159	(680,127)	(1,402,089)	(780,467)	(177,975)	(979,418)
Nonoperating revenues	57,787	1,459	525	894	886	1,327	645,965	62
Nonoperating expenses	(801,039)	(18,035)	(213,437)	(296,583)	(467,909)	(200,195)	(655,172)	(258,527)
Loss before capital contributions	166,967	(39,998)	2,247	(975,816)	(1,869,112)	(979,335)	(187,182)	(1,237,883)
Capital contributions	-	-	-	-	-	-	-	-
Change in net position	$ 166,967	$ (39,998)	$ 2,247	$ (975,816)	$ (1,869,112)	$ (979,335)	$ (187,182)	$ (1,237,883)

(continued)

*Unaudited

	1115 SW 11th Avenue	RAC Housing	Stephens Creek Crossing- South *	Stephens Creek Crossing- North *	Beech Street*	All other partnerships	Total
ASSETS							
Cash and cash equivalents	$ 176,868	$ 438,492	$ 573,460	$ 1,288,883	$ 1,115,969	$ 1,008,489	$ 6,851,077
Cash and cash equivalents - restricted	578,971	1,295,828	-	-	-	3,056,461	12,389,923
Investments (restricted)- short term	-	-	995,138	558,387	-	70,536	2,856,241
Accounts receivables and other assets	27,729	118,797	374	652	-	528,273	1,127,282
Investments (restricted)- long term	-	-	-	-	-	672,225	672,225
Other assets	50,924	72,520	36,291	45,091	137,338	545,546	3,284,487
Capital assets - net	14,267,566	33,079,998	12,007,832	21,925,031	3,210,030	45,506,197	257,758,362
TOTAL	$ 15,102,058	$ 35,005,635	$ 13,613,095	$ 23,818,044	$ 4,463,337	$ 51,387,727	$ 284,939,597
LIABILITIES AND NET POSITION							
LIABILITIES:							
Current liabilities	$ 170,222	$ 84,345	$ 1,481,275	$ 12,457,682	$ 515,084	$ 4,085,106	$ 23,960,842
Long-term liabilities	12,254,613	8,689,911	10,282,942	9,909,205	3,319,306	43,224,845	196,225,284
Net position	2,677,223	26,231,379	1,848,878	1,451,157	628,947	4,077,776	64,753,471
TOTAL	$ 15,102,058	$ 35,005,635	$ 13,613,095	$ 23,818,044	$ 4,463,337	$ 51,387,727	$ 284,939,597
Operating revenues	$ 787,832	$ 1,423,746	$ -	$ -	$ -	$ 5,954,789	18,020,367
Operating expenses	(1,244,281)	(3,511,327)	(82,333)	(192,560)	(489,712)	(6,619,632)	(24,911,964)
Operating income (loss)	(456,449)	(2,087,581)	(82,333)	(192,560)	(489,712)	(664,843)	(6,891,598)
Nonoperating revenues	435	-	3,599	1,981	-	32,306	747,226
Nonoperating expenses	(15,230)	(57,806)	-	-	(479)	(1,425,291)	(4,409,703)
Loss before capital contributions	(471,244)	(2,145,387)	(78,734)	(190,579)	(490,191)	(2,057,828)	(10,554,075)
Capital contributions	-	1,193,304	1,399,160	840,795	1,119,138	91,430	4,643,827
Change in net position	$ (471,244)	$ (952,083)	$ 1,320,426	$ 650,216	$ 628,947	$ (1,966,398)	$ (5,910,248)

*Unaudited

17. DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION

The Authority is the General Partner and holds a 0.01% to 0.1% 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, 2012 is as follows:

	Lovejoy Station	Union Station A LIH	St. Francis	Cecilia	Trouton	Woolsey	Civic Redevelopment	Humboldt Gardens
ASSETS								
Cash and cash equivalents	$ 705,179	$ 534,114	$ 36,934	$ 296,304	$ 195,937	$ 548,437	$ 122,555	$ 143,279
Cash and cash equivalents - restricted	744,099	545,125	646,607	1,027,862	1,160,338	927,418	1,115,039	1,465,162
Investments (restricted)- short term	1,240,352			-	-	-	-	-
Accounts receivables and other assets	23,370	24,309	93,044	28,148	40,290	20,226	24,744	40,220
Investments (restricted)- long term	-	472,680	-	-	-	-	-	-
Other assets	359,200	139,176	77,498	219,843	636,147	157,833	812,273	266,750
Capital assets - net	12,583,394	5,484,744	9,348,000	15,778,411	35,615,020	16,557,554	17,037,781	27,376,085
TOTAL	$ 15,655,593	$ 7,200,149	$ 10,202,083	$ 17,350,568	$ 37,647,732	$ 18,211,468	$ 19,112,391	$ 29,291,496
LIABILITIES AND NET POSITION								
LIABILITIES:								
Current liabilities	$ 1,446,980	$ 650,162	$ 567,304	$ 364,208	$ 462,975	$ 203,884	$ 2,403,870	$ 221,172
Long-term liabilities	14,681,533	6,509,989	7,658,354	14,848,259	32,631,569	4,971,337	13,474,630	20,617,032
Net position	(472,920)	39,998	1,976,425	2,138,101	4,553,188	13,036,247	3,233,891	8,453,292
TOTAL	$ 15,655,593	$ 7,200,149	$ 10,202,083	$ 17,350,568	$ 37,647,732	$ 18,211,468	$ 19,112,391	$ 29,291,496
Operating revenues	$ 1,999,123	$ 1,361,549	$ 1,237,446	$ 1,064,134	$ 2,002,655	$ 963,869	$ 1,228,778	$ 839,842
Operating expenses	(1,082,620)	(1,114,416)	(987,014)	(1,829,347)	(3,543,953)	(1,784,499)	(1,428,387)	(1,999,387)
Operating income (loss)	916,503	247,133	250,432	(765,213)	(1,541,298)	(820,630)	(199,609)	(1,159,545)
Nonoperating revenues	57,859	22,615	544	1,261	1,243	1,466	1,227	119
Nonoperating expenses	(807,370)	(291,995)	(219,543)	(298,711)	(472,569)	(208,238)	(815,888)	(260,615)
Loss before capital contributions	166,992	(22,247)	31,433	(1,062,663)	(2,012,624)	(1,027,402)	(1,014,270)	(1,420,041)
Partner contributions	-	-	-	-	-	-	-	-
Change in net position	$ 166,992	$ (22,247)	$ 31,433	$ (1,062,663)	$ (2,012,624)	$ (1,027,402)	$ (1,014,270)	$ (1,420,041)

(continued)

	1115 SW 11th Avenue	RAC Housing	Stephens Creek Crossing- South *	Stephens Creek Crossing- North *	All other partnerships	Total
ASSETS						
Cash and cash equivalents	$ 184,530	$ 510,728	$ 483,002	$ 523,932	$ 984,593	$ 5,269,524
Cash and cash equivalents - restricted	544,282	737,353			3,018,805	11,932,090
Investments (restricted)- short term	-	-		-	70,618	1,310,969
Accounts receivables and other assets	20,082	37,493	309,178	1,015,236	481,843	2,158,184
Investments (restricted)- long term	-	-		-	672,225	1,144,905
Other assets	53,835	79,214	36,291	45,091	580,356	3,463,506
Capital assets - net	14,833,781	35,200,173	3,599,101	6,909,203	47,620,577	247,943,823
TOTAL	$ 15,636,510	$ 36,564,961	$ 4,427,572	$ 8,493,462	$ 53,429,017	$ 273,223,002
LIABILITIES AND NET POSITION						
LIABILITIES:						
Current liabilities	$ 168,966	$ 745,589	$ 413,754	$ 925,041	$ 3,678,240	$ 12,252,145
Long-term liabilities	12,319,077	8,635,910	3,485,366	6,767,480	43,706,601	190,307,137
Net position	3,148,467	27,183,462	528,452	800,941	6,044,176	70,663,720
TOTAL	$ 15,636,510	$ 36,564,961	$ 4,427,572	$ 8,493,462	$ 53,429,017	$ 273,223,002
Operating revenues	$ 758,149	$ 1,258,232	$ (1)	$ (1)	$ 5,964,011	$ 18,677,786
Operating expenses	(1,211,614)	(3,570,864)	(13,115)	(36,885)	(6,384,115)	(24,986,216)
Operating income (loss)	(453,465)	(2,312,632)	(13,116)	(36,886)	(420,104)	(6,308,430)
Nonoperating revenues	514	20	-	-	33,961	120,829
Nonoperating expenses	(15,318)	(67,280)	1	1	(1,521,278)	(4,978,803)
Loss before capital contributions	(468,269)	(2,379,892)	(13,115)	(36,885)	(1,907,421)	(11,166,404)
Partner contributions	-	20,048,478	541,567	837,826	(185,742)	21,242,129
Change in net position	$ (468,269)	$ 17,668,586	$ 528,452	$ 800,941	$ (2,093,163)	$ 10,075,725

***Unaudited**

Summarized capital assets – Discretely presented component units

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

	Balance Deceber 31, 2012	Additions and transfers in	Disposals and transfers out	Balance December 31, 2013
Land	$ 13,716,305	$ -	$ (592,500)	$ 13,123,805
Construction in progress	10,513,404	27,151,810	(192,618)	37,472,596
Total capital assets not being depreciated	24,229,709	27,151,810	(785,118)	50,596,401
Buildings and improvements	296,809,364	171,313	(10,564,084)	286,416,593
Equipment	11,873,109	38,379	(322,492)	11,588,996
	308,682,473	209,692	(10,886,576)	298,005,589
Less: Accumulated depreciation	(84,968,358)	(11,834,550)	5,959,280	(90,843,628)
Total capital assets being depreciated	223,714,115	(11,624,858)	(4,927,296)	207,161,961
Total capital assets, net	$ 247,943,824	$ 15,526,952	$ (5,712,414)	$ 257,758,362

	Balance December 31, 2011	Additions and transfers in	Disposals and transfers out	Balance December 31, 2012
Land	$ 13,904,969	$ -	$ (188,664)	$ 13,716,305
Construction in progress	22,794	10,870,941	(380,331)	10,513,404
Total capital assets not being depreciated	13,927,763	10,870,941	(568,995)	24,229,709
Buildings and improvements	298,902,872	135,452	(2,228,960)	296,809,364
Equipment	11,826,452	143,052	(96,395)	11,873,109
	310,729,324	278,504	(2,325,355)	308,682,473
Less: Accumulated depreciation	(73,922,405)	(12,279,224)	1,233,271	(84,968,358)
Total capital assets being depreciated	236,806,919	(12,000,720)	(1,092,084)	223,714,115
Total capital assets, net	$ 250,734,682	$ (1,129,779)	$ (1,661,079)	$ 247,943,824

Summarized notes payable – Discretely presented component units

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

	December 31, 2013	December 31, 2012
Notes payable - General Partner	$ 132,312,351	$ 143,269,524
Mortgages and other housing related notes	65,844,705	39,814,898
	198,157,056	183,084,422
Less current portion	(11,465,261)	(1,886,569)
Total notes payable	$ 186,691,795	$ 181,197,853

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

Balance December 31, 2012	Increase	Decrease	Balance December 31, 2013
$ 183,084,422	$ 23,696,107	$ (8,623,473)	$ 198,157,056

Balance December 31, 2011	Increase	Decrease	Balance December 31, 2012
$ 196,469,366	$ 9,311,878	$ (22,696,822)	$ 183,084,422

18. COMMITMENTS AND CONTINGENCIES

Leases **-** At March 31, 2014, Home Forward has approximately 8,620 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, 2014 and 2013 were approximately $69,859,000 and $71,886,000, respectively.

Construction Commitments **-** At March 31, 2014, Home Forward had construction commitments of approximately $8,939,000.

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 $4,558,000.

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, 2014, no additional liability existed relating to excess operating deficits for any of the partnerships.

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 $264,474,000 and $5,690,000, respectively.

HARRP coverage as of March 31, 2014, includes:

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

For Home Forward owned affordable properties (non-public housing), Home Forward uses Affordable Housing Risk Pool ("AHRP"), a subsidiary of HARRP, and Farmers Insurance to provide commercial insurance. AHRP provides general liability coverage for 18 affordable properties for $2,000,000 per incident/ unlimited aggregate. AHRP also provides blanket coverage for buildings and business personal property for 18 properties for approximately $131,220,000.

Farmers Insurance provides general liability coverage for 1 affordable property for $2,000,000 per incident/ unlimited aggregate Farmers also provides blanket coverage for buildings and business personal property for 1 affordable property for approximately $4,223,000.

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. Home Forward has two liability claims as of March 31, 2014.

20. RESTATEMENT

In March 2012, GASB issued Statement No. 65, *Items Previously Recorded as Asset and Liabilities*. The Statement reclassifies certain items that were previously reported as assets and liabilities as deferred outlfows of resources or deferred inflows of resources, and to recognize certain items that were previously reported as assets and liabilities as outflows (expenses) or inflows (revenues) of resources. As of April 1, 2012, Home Forward implemented the GASB Statement No. 65 and restated the beginning net position of the primary government to write off the unamortized bond issuance costs and loan fees that were previously reported as assets.

	As previously reported March 31, 2012	**Restatement**	**As restated March 31, 2012**
INCREASE IN NET POSITION	$ 8,814,835	$ 289,959	$ 8,524,876
NET POSITION—Beginning of year	204,309,125	1,312,872	202,996,253
NET POSITION—End of year	$ 213,123,960	$ 1,602,831	$ 211,521,129

21. SUBSEQUENT EVENTS

On April 1, 2014, Home Forward purchased the remaining 99.9% interest in Clay Street Limited Partnership for $37,409 and assumed the Hamilton West's debt of $6,338,000 for a 152 unit building. Upon purchase, the partnership was dissolved.

Home Forward has evaluated subsequent events through September 18, 2014, the date on which the financial statements were issued. Other than as discussed above, during this period no material subsequent events occurred which would require recognition or disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

The 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:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
3/31/2013	$ -	$ 1,813,482	$ 1,813,482	0%	$ 14,527,714	12%
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%

OTHER SUPPLEMENTARY INFORMATION

HOME FORWARD

COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING

As of March 31, 2014

	Grace Peck Terrace	Multnomah Manor	The Plaza	Rosenbaum Plaza	St. Johns Woods	Unthank Plaza	Helen Swindells	Dawson Park
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	$ 5,143,107	$ (51,855)	$ (55,241)	$ 1,900,410	$ (259)	$ 3,195,355	$ (60,803)	$ (79,753)
Cash and cash equivalents - restricted	264,914	287,484	261,794	129,207	1	231,783	417,934	323,614
Accounts receivable, net	14,643	3,649	9,192	22,318	-	13,988	1,175	752
Prepaid expenses	1,977	62	1,067	2,331	-	1,665	15,604	8,041
	5,424,641	239,340	216,812	2,054,266	(258)	3,442,791	373,910	252,654
NON-CURRENT ASSETS:								
Due from partnerships, net	-	-	-	-	-	-	-	-
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-
Capital assets not being depreciated	157,489	310,301	278,361	49,999	-	68,201	432,879	138,456
Capital assets being depreciated, net	393,289	1,579,463	1,325,131	584,440	-	513,408	2,071,012	1,235,742
	550,778	1,889,764	1,603,492	634,439	-	581,609	2,503,891	1,374,198
TOTAL ASSETS	$ 5,975,419	$ 2,129,104	$ 1,820,304	$ 2,688,705	$ (258)	$ 4,024,400	$ 2,877,801	$ 1,626,852
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES:								
Accounts payable	$ 7,480	$ 14,054	$ 48,733	$ 9,685	$ -	$ 18,923	$ 25,317	$ 11,645
Accrued interest payable	-	6,618	814	-	-	-	-	43,196
Other accrued liabilities	13,500	-	-	10,625	-	9,000	1,768	-
Unearned revenue	3,124	4,423	1,144	4,945	-	3,113	6,024	9,242
Deposits, payable from restricted assets	15,579	23,296	18,150	8,488	-	13,201	42,880	33,430
Current portion of notes and bonds payable	-	26,930	77,673	-	-	-	-	99,642
	39,683	75,321	146,514	33,743	-	44,237	75,989	197,155
NON-CURRENT LIABILITIES:								
Notes payable - long-term	-	1,149,577	61,894	-	-	-	2,087,684	545,227
Bonds payable - long-term	-	-	-	-	-	-	-	1,571,984
Accrued interest - long-term	-	-	-	-	-	-	1,197,024	15,057
Other liabilities	-	-	-	-	-	-	-	-
	-	1,149,577	61,894	-	-	-	3,284,708	2,132,268
Total liabilities	39,683	1,224,898	208,408	33,743	-	44,237	3,360,697	2,329,423
NET POSITION	5,935,736	904,206	1,611,896	2,654,962	(258)	3,980,163	(482,896)	(702,571)
TOTAL LIABILITIES AND NET POSITION	$ 5,975,419	$ 2,129,104	$ 1,820,304	$ 2,688,705	$ (258)	$ 4,024,400	$ 2,877,801	$ 1,626,852

(continued)

HOME FORWARD

COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING

As of March 31, 2014

	Pearl Court	Fenwick Avenue	Ainsworth Court	Fairviews	Rockwood Station	Willow Tree	Ash Creek	Schiller Way
ASSETS AND DEFERRED OUTFLOWS								
CURRENT ASSETS:								
Cash and cash equivalents	$ 1,136,914	$ (94,813)	$ (135,592)	$ 1,914,938	$ 1,220,472	$ (775,552)	$ (1,686,943)	$ (372,324)
Cash and cash equivalents - restricted	1,045,277	90,101	663,070	1,079,321	487,559	132,983	66,914	51,734
Accounts receivable, net	232,228	1,184	565	55,327	51,166	807,608	6,702	1,208
Prepaid expenses	21,674	2,188	9,279	31,869	16,805	23	2,497	3,434
	2,436,093	(1,340)	537,322	3,081,455	1,776,002	165,062	(1,610,830)	(315,948)
NON-CURRENT ASSETS:								
Due from partnerships, net	-	-	-	-	-	-	-	-
Notes receivable and accrued interest receivable	-	-	-	-	-	-	-	-
Capital assets not being depreciated	766,151	292,242	1,115,635	943,432	702,002	162,767	363,580	48,707
Capital assets being depreciated, net	4,295,871	2,136,728	2,230,781	8,138,120	4,553,803	1,851,956	1,738,266	1,414,710
	5,062,022	2,428,970	3,346,416	9,081,552	5,255,805	2,014,723	2,101,846	1,463,417
TOTAL ASSETS	$ 7,498,115	$ 2,427,630	$ 3,883,738	$ 12,163,007	$ 7,031,807	$ 2,179,785	$ 491,016	$ 1,147,469
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES:								
Accounts payable	$ 248,997	$ 4,904	$ 11,922	$ 68,822	$ 13,823	$ 183,830	$ 5,425	$ 13,631
Accrued interest payable	53,880	4,524	34,963	-	-	2,401	3,421	2,445
Other accrued liabilities	-	-	-	5,740	-	-	-	515
Unearned revenue	37,488	208	9,202	7,031	2,036	3,346	50	44
Deposits, payable from restricted assets	103,391	9,450	53,002	238,113	109,720	5,900	8,000	6,676
Current portion of notes and bonds payable	331,795	47,273	115,000	174,453	70,076	17,931	71,790	47,515
	775,551	66,359	224,089	494,159	195,655	213,408	88,686	70,826
NON-CURRENT LIABILITIES:								
Notes payable - long-term	852,156	2,605,112	1,351,748	11,575,292	4,649,648	812,159	1,979,954	1,185,511
Bonds payable - long-term	4,305,000	-	2,286,746	-	-	-	-	-
Accrued interest - long-term	328,681	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
	5,485,837	2,605,112	3,638,494	11,575,292	4,649,648	812,159	1,979,954	1,185,511
Total liabilities	6,261,388	2,671,471	3,862,583	12,069,451	4,845,303	1,025,567	2,068,640	1,256,337
NET POSITION	1,236,727	(243,841)	21,155	93,556	2,186,504	1,154,218	(1,577,624)	(108,868)
TOTAL LIABILITIES AND NET POSITION	$ 7,498,115	$ 2,427,630	$ 3,883,738	$ 12,163,007	$ 7,031,807	$ 2,179,785	$ 491,016	$ 1,147,469

(continued)

HOME FORWARD

COMBINING SCHEDULE OF NET POSITION- AFFORDABLE HOUSING

As of March 31, 2014

	Peter Paulson	Kelly Place	Trouton Commercial	Yards at Union Station	Rockwood Landing	Gretchen Kafoury	Affordable Housing Management	Eliminations	Totals
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$ (72,880)	$ 71,752	$ (99,709)	$ 362,414	$ 20,230	$ 341,971	$ (8,460,266)	$ (43,207)	$ 3,318,366
Cash and cash equivalents - restricted	205,097	80,565	-	1,038,561	104,760	693,545	-	-	7,656,218
Accounts receivable, net	2,908	1,831	13	641	117	5,904	195,813	-	1,428,932
Prepaid expenses	8,544	2,959	652	22,810	4,057	14,153	-	-	171,691
	143,669	157,107	(99,044)	1,424,426	129,164	1,055,573	(8,264,453)	(43,207)	12,575,207
NON-CURRENT ASSETS:									
Due from partnerships, net	-	-	5,114	-	-	-	153,792	-	158,906
Notes receivable and accrued interest receivable	-	-	-	-	-	-	478,500	-	478,500
Capital assets not being depreciated	285,851	188,665	-	592,500	225,000	526,356	-	-	7,648,574
Capital assets being depreciated, net	2,354,807	868,589	1,138	4,627,154	1,753,324	4,056,464	-	-	47,724,196
	2,640,658	1,057,254	6,252	5,219,654	1,978,324	4,582,820	632,292	-	56,010,176
TOTAL ASSETS	$ 2,784,327	$ 1,214,361	$ (92,792)	$ 6,644,080	$ 2,107,488	$ 5,638,393	$ (7,632,161)	$ (43,207)	$ 68,585,383
LIABILITIES AND NET POSITION									
CURRENT LIABILITIES:									
Accounts payable	$ 30,213	$ 5,465	$ 6,953	$ 31,715	$ 7,000	$ 19,617	$ 32,754	$ -	$ 820,908
Accrued interest payable	-	1,697	-	103,399	1,471	1,008,894	-	-	1,267,723
Other accrued liabilities	2	-	-	-	1,985	47	39,530	-	82,712
Unearned revenue	600	-	-	25,877	18,272	2,610	418,275	-	557,054
Deposits, payable from restricted assets	39,537	5,650	-	95,317	14,293	60,781	-	-	904,854
Current portion of notes and bonds payable	-	18,430	-	313,070	22,171	140,000	-	-	1,573,749
	70,352	31,242	6,953	569,378	65,192	1,231,949	490,559	-	5,207,000
NON-CURRENT LIABILITIES:									
Notes payable - long-term	1,960,936	709,856	-	1,234,274	585,003	2,664,000	-	-	36,010,031
Bonds payable - long-term	-	-	-	4,940,000	-	3,950,144	-	-	17,053,874
Accrued interest - long-term	1,396,988	-	-	-	-	-	-	-	2,937,750
Other liabilities	-	-	-	-	-	-	12,260	-	12,260
	3,357,924	709,856	-	6,174,274	585,003	6,614,144	12,260	-	56,013,915
Total liabilities	3,428,276	741,098	6,953	6,743,652	650,195	7,846,093	502,819	-	61,220,915
NET POSITION	(643,949)	473,263	(99,745)	(99,572)	1,457,293	(2,207,700)	(8,134,980)	(43,207)	7,364,468
TOTAL LIABILITIES AND NET POSITION	$ 2,784,327	$ 1,214,361	$ (92,792)	$ 6,644,080	$ 2,107,488	$ 5,638,393	$ (7,632,161)	$ (43,207)	$ 68,585,383

HOME FORWARD

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

Year ended March 31, 2014

	Grace Peck Terrace	Multnomah Manor	The Plaza	Rosenbaum Plaza	St. Johns Woods	Unthank Plaza	Helen Swindells	Dawson Park
OPERATING REVENUES:								
Dwelling rental	$ 214,538	$ 243,768	$ 202,806	$ 173,760	$ 198,391	$ 164,647	$ 455,485	$ 553,078
Non-dwelling rental	35,204	398	-	67,190	-	15,535	126,070	-
HUD operating subsidies	678,068	152,190	502,727	497,863	623,745	701,570	-	-
State, local and other grants	-	-	-	-	-	-	1,121	-
Other	170,401	7,310	16,596	176,846	64,488	172,356	44,908	17,647
	1,098,211	403,666	722,129	915,659	886,624	1,054,108	627,584	570,725
OPERATING EXPENSES:								
Housing assistance payments	1,754	2,529	5,205	-	5,546	2,663	-	-
Administration	354,588	86,857	258,890	380,185	159,668	371,237	251,050	109,999
Tenant services	-	-	19	689	-	-	6,204	-
Utilities	82,942	58,302	82,546	111,546	185,304	74,383	97,229	59,699
Maintenance	158,712	140,754	181,707	163,224	160,803	182,968	178,826	99,893
Depreciation	81,482	65,621	126,265	86,114	-	66,210	106,709	138,517
General	21,124	8,890	10,180	17,308	19,495	16,946	32,487	6,610
	700,602	362,953	664,812	759,066	530,816	714,407	672,505	414,718
OPERATING INCOME (LOSS)	397,609	40,713	57,317	156,593	355,808	339,701	(44,921)	156,007
NONOPERATING REVENUES (EXPENSES):								
Investment income	472	172	50,993	142	27,932	305	255	536
Interest expense	-	(80,203)	(12,123)	-	(160,237)	-	(62,537)	(73,763)
Investment in partnership valuation charge	-	-	-	-	-	-	-	-
Loss on sale of capital assets	-	(9,176)	(43,160)	-	-	-	(3,758)	-
Gain on sale of assets avaialble for sale	-	-	-	-	4,676,385	-	-	-
	472	(89,207)	(4,290)	142	4,544,080	305	(66,040)	(73,227)
CAPITAL CONTRIBUTIONS:								
Other nonoperating contributions	-	-	-	-	(5,895,178)	-	-	-
INCREASE (DECREASE) IN NET POSITION	398,081	(48,494)	53,027	156,735	(995,290)	340,006	(110,961)	82,780
NET POSITION-Beginning of year (as previously reported)	5,537,655	979,472	1,558,869	2,498,227	1,076,656	3,640,157	(369,320)	(742,316)
Restatement	-	(26,772)	-	-	(81,624)	-	(2,615)	(43,035)
NET POSITION- Beginning of year (as restated)	5,537,655	952,700	1,558,869	2,498,227	995,032	3,640,157	(371,935)	(785,351)
NET POSITION-End of year	$ 5,935,736	$ 904,206	$ 1,611,896	$ 2,654,962	$ (258)	$ 3,980,163	$ (482,896)	$ (702,571)

(continued)

HOME FORWARD

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

Year ended March 31, 2014

	Pearl Court	Fenwick Avenue	Ainsworth Court	Fairviews	Rockwood Station	Willow Tree	Ash Creek	Schiller Way
OPERATING REVENUES:								
Dwelling rental	$ 1,551,135	$ 242,530	$ 730,019	$ 2,919,784	$ 1,470,493	$ 165,012	$ 304,963	$ 181,480
Non-dwelling rental	18,628	-	-	20,662	30,599	-	-	42,369
HUD operating subsidies	-	-	-	169,896	106,185	-	-	-
State, local and other grants	-	-	-	-	-	-	-	-
Other	46,695	4,762	14,064	122,620	83,133	1,522,619	2,665	2,192
	1,616,458	247,292	744,083	3,232,962	1,690,410	1,687,631	307,628	226,041
OPERATING EXPENSES:								
Housing assistance payments	-	-	-	12,299	2,164	-	-	-
Administration	289,109	34,253	108,306	420,684	346,565	471,039	251,770	41,547
Tenant services	-	-	-	-	109	-	-	-
Utilities	158,939	46,615	79,755	329,638	125,898	23,530	49,374	62,640
Maintenance	241,751	34,621	142,613	571,661	373,408	30,687	35,628	63,368
Depreciation	381,471	73,323	194,514	448,740	248,652	132,491	114,476	56,099
General	16,507	2,550	5,639	154,986	78,998	3,326	3,025	4,678
	1,087,777	191,362	530,827	1,938,008	1,175,794	661,073	454,273	228,332
OPERATING INCOME (LOSS)	528,681	55,930	213,256	1,294,954	514,616	1,026,558	(146,645)	(2,291)
NONOPERATING REVENUES (EXPENSES):								
Investment income	22,191	80	31,614	752	314	110	59	25
Interest expense	(242,570)	(55,062)	(145,872)	(424,227)	(170,406)	(29,159)	(82,667)	(30,197)
Investment in partnership valuation charge	-	-	-	-	-	-	-	-
Loss on sale of capital assets	-	-	-	-	-	-	-	-
Gain on sale of assets avaialble for sale	-	-	-	-	-	-	-	-
	(220,379)	(54,982)	(114,258)	(423,475)	(170,092)	(29,049)	(82,608)	(30,172)
CAPITAL CONTRIBUTIONS:								
Other nonoperating contributions	-	-	-	-	164,808	501,461	-	-
INCREASE (DECREASE) IN NET POSITION	308,302	948	98,998	871,479	509,332	1,498,970	(229,253)	(32,463)
NET POSITION-Beginning of year (as previously reported)	1,038,757	(227,668)	(33,131)	(230,727)	1,929,884	(325,952)	(1,328,086)	(76,405)
Restatement	(110,332)	(17,121)	(44,712)	(547,196)	(252,712)	(18,800)	(20,285)	-
NET POSITION- Beginning of year (as restated)	928,425	(244,789)	(77,843)	(777,923)	1,677,172	(344,752)	(1,348,371)	(76,405)
NET POSITION-End of year	$ 1,236,727	$ (243,841)	$ 21,155	$ 93,556	$ 2,186,504	$ 1,154,218	$ (1,577,624)	$ (108,868)

(continued)

HOME FORWARD

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

Year ended March 31, 2014

	Peter Paulson	Kelly Place	Trouton Commercial	Yards at Union Station	Rockwood Landing	Gretchen Kafoury Commons	Affordable Housing Management	Eliminations	Total
OPERATING REVENUES:									
Dwelling rental	$ 507,485	$ 173,233	$ -	$ 1,332,380	$ 22,871	$ 85,873	$ -	$ -	$ 11,893,731
Non-dwelling rental	-	-	11,657	2,370	333	743	38,241	-	409,999
HUD operating subsidies	-	-	-	-	-	-	191,202	-	3,623,446
State, local and other grants	-	-	-	-	-	-	-	-	1,121
Other	14,175	2,570	67,110	48,772	1,274	3,956	956,953	(157,161)	3,406,951
	521,660	175,803	78,767	1,383,522	24,478	90,572	1,259,425	(157,161)	19,408,277
OPERATING EXPENSES:									
Housing assistance payments	-	-	-	-	-	-	-	-	32,160
Administration	231,231	28,365	20,951	239,286	14,270	23,157	1,030,889	(157,161)	5,366,735
Tenant services	-	-	-	-	-	-	678,435		685,456
Utilities	95,349	26,664	43,367	136,979	8,485	9,719	-	-	1,948,903
Maintenance	156,678	40,559	27,984	234,775	8,874	16,854	3,474	-	3,249,822
Depreciation	112,512	76,844	3,413	388,163	11,071	28,514	-	-	2,941,201
General	13,458	4,359	741	20,552	1,348	3,882	1,009,842	-	1,456,931
	609,228	176,791	96,456	1,019,755	44,048	82,126	2,722,640	(157,161)	15,681,208
OPERATING INCOME (LOSS)	(87,568)	(988)	(17,689)	363,767	(19,570)	8,446	(1,463,215)	-	3,727,069
NONOPERATING REVENUES (EXPENSES):									
Investment income	465	99	-	22,360	12	1,436	322	-	160,646
Interest expense	(82,260)	(20,801)	-	(259,867)	(2,049)	(25,961)	-	-	(1,959,961)
Investment in partnership valuation charge	-	(350,456)	-	-	1,394,762	(2,191,621)	(12,689)	-	(1,160,004)
Loss on sale of capital assets	(53,918)	-	-	(90,109)	-	-	-	-	(200,121)
Gain on sale of assets avaialble for sale	-	-	-	-	-	-	-	-	4,676,385
	(135,713)	(371,158)	-	(327,616)	1,392,725	(2,216,146)	(12,367)	-	1,516,945
CAPITAL CONTRIBUTIONS:									
Other nonoperating contributions	-	-	-	-	84,138	-	-	-	(5,144,771)
INCREASE (DECREASE) IN NET POSITION	(223,281)	(372,146)	(17,689)	36,151	1,457,293	(2,207,700)	(1,475,582)	-	99,243
NET POSITION-Beginning of year (as previously reported)	(419,739)	850,393	(82,056)	835	-	-	(6,659,398)	(43,207)	8,572,900
Restatement	(929)	(4,984)	-	(136,558)	-	-	-	-	(1,307,675)
NET POSITION- Beginning of year (as restated)	(420,668)	845,409	(82,056)	(135,723)	-	-	(6,659,398)	(43,207)	7,265,225
NET POSITION-End of year	$ (643,949)	$ 473,263	$ (99,745)	$ (99,572)	$ 1,457,293	$ (2,207,700)	$ (8,134,980)	$ (43,207)	$ 7,364,468

HOME FORWARD

COMBINING SCHEDULE OF NET POSITION - HOME FORWARD DEVELOPMENT ENTERPRISES

As of March 31, 2014

	Gallagher Plaza	Hollywood East	Northwest Towers	Sellwood Center	HFDE Admin	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 170,490	$ 305,243	$ 429,148	$ 220,594	$ 5,942	$ 1,131,417
Tenant security deposit-restricted cash	9,255	32,679	22,604	12,641	-	77,179
Cash and cash equivalents-restricted	14,875	50,050	30,928	19,969	-	115,822
Accounts receivable, net	5,645	12,968	16,963	5,832	7,266	48,674
Prepaid expenses	-	442	184	-	-	626
	200,265	401,382	499,827	259,036	13,208	1,373,718
NONCURRENT ASSETS:						
Capital assets being depreciated, net	609,917	3,474,414	1,695,783	1,621,559	5,848	7,407,521
	609,917	3,474,414	1,695,783	1,621,559	5,848	7,407,521
TOTAL ASSETS	$ 810,182	$ 3,875,796	$ 2,195,610	$ 1,880,595	$ 19,056	$ 8,781,239
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES:						
Accounts payable	$ 42,104	$ 162,872	$ 102,348	$ 35,917	$ 13,114	$ 356,355
Unearned revenue	63	3,927	4,603	1,985	-	10,578
Deposits, payable from restricted assets	8,827	32,882	22,920	13,359	-	77,988
Total liabilities	50,994	199,681	129,871	51,261	13,114	444,921
Net Position	759,188	3,676,115	2,065,739	1,829,334	5,942	8,336,318
TOTAL LIABILITIES AND NET POSITION	$ 810,182	$ 3,875,796	$ 2,195,610	$ 1,880,595	$ 19,056	$ 8,781,239

HOME FORWARD

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - HOME FORWARD DEVELOPMENT ENTERPRISES

Year ended March 31, 2014

	Gallagher Plaza	Hollywood East	Northwest Towers	Sellwood Center	HFDE Admin	Total
OPERATING REVENUES:						
Dwelling rental	$ 431,740	$ 1,292,040	$ 982,410	$ 497,152	$ -	$ 3,203,342
Non-dwelling rental	8,714	37,873	10,395	29,563	-	86,545
Other	3,599	22,923	10,951	5,256	-	42,729
	444,053	1,352,836	1,003,756	531,971	-	3,332,616
OPERATING EXPENSES:						
Administration	77,858	307,427	134,176	69,661	77,878	667,000
Management fee	29,750	100,100	60,550	38,500	-	228,900
Tenant services	13,629	63,847	34,611	16,321	-	128,408
Utilities	31,572	260,475	174,195	81,639	-	547,881
Maintenance	136,215	307,070	219,944	111,848	-	775,077
Depreciation	47,033	151,936	62,453	102,156	-	363,578
General	11,398	36,154	19,026	11,432	5,577	83,587
	347,455	1,227,009	704,955	431,557	83,455	2,794,431
OPERATING INCOME (LOSS)	96,598	125,827	298,801	100,414	(83,455)	538,185
CAPITAL CONTRIBUTIONS						
Capital contributions from primary government	662,590	3,494,569	1,766,938	1,728,920	-	7,653,017
Other non-operating contributions	-	55,719	-	-	-	55,719
TOTAL CAPITAL CONTRIBUTIONS	662,590	3,550,288	1,766,938	1,728,920	-	7,708,736
INCREASE (DECREASE) IN NET POSITION	759,188	3,676,115	2,065,739	1,829,334	(83,455)	8,246,921
NET POSITION-beginning of year	-	-	-	-	89,397	89,397
NET POSITION-end of year	$ 759,188	$ 3,676,115	$ 2,065,739	$ 1,829,334	$ 5,942	$ 8,336,318

HOME FORWARD

COMBINING SCHEDULE OF NET POSITION - SPECIAL NEEDS HOUSING

As of March 31, 2014

	Interstate Crossing	Carriage Hill	Project Open Door	Other Special Needs	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ (200,806)	$ 6,688	$ 48,237	$ 1,348,021	$ 1,202,140
Tenant security deposit-restricted cash	1,375	500	1,750	11,541	15,166
Cash and cash equivalents-restricted	42,708	4,822	50,838	806,243	904,611
Accounts receivable, net	1,509	308	20	3,335	5,173
Prepaid expenses	1,918	-	-	3,455	5,373
	(153,296)	12,318	100,845	2,172,595	2,132,462
NONCURRENT ASSETS:					
Capital assets not being depreciated	90,000	75,424	71,104	1,392,274	1,628,802
Capital assets being depreciated, net	1,185,926	309,968	474,484	17,340,292	19,310,670
	1,275,926	385,392	545,587	18,732,566	20,939,471
TOTAL ASSETS	$ 1,122,630	$ 397,711	$ 646,432	$ 20,905,161	$ 23,071,934
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable	$ 4,892	$ 7,902	$ 1,296	$ 327	$ 14,416
Accured interest payable	1,184	92	168	60,090	61,534
Other accrued liabilites	3,957	297	227	7,002	11,483
Unearned revenue	1,727	1,384	5,399	14,280	22,790
Deposits, payable from restricted assets	1,375	500	1,750	11,541	15,166
Current portion of notes and bonds payable	13,303	1,499	15,013	56,411	86,227
	26,438	11,674	23,853	149,651	211,617
NONCURRENT LIABILITIES:					
Accrued interest long-term	-	-	-	237,500	237,500
Notes payable - long-term	1,390,393	216,221	214,741	7,773,734	9,595,088
	1,390,393	216,221	214,741	8,011,234	9,832,588
Total liabilities	1,416,831	227,895	238,594	8,160,885	10,044,205
Net Position	(294,201)	169,816	407,838	12,744,276	13,027,729
TOTAL LIABILITIES AND NET POSITION	$ 1,122,630	$ 397,711	$ 646,432	$ 20,905,161	$ 23,071,934

HOME FORWARD

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

Year ended March 31, 2014

	Interstate Crossing	Carriage Hill	Project Open Door	Other Special Needs	Total
OPERATING REVENUES:					
Dwelling rental	$ 102,010	$ 22,464	$ 65,304	$ 44,376	$ 234,154
Non-dwelling rental	-	-	-	601,734	601,734
State, local and other grants	-	-	-	26,186	26,186
Other	8,021	-	500	64,702	73,223
	110,031	22,464	65,804	736,998	935,297
OPERATING EXPENSES:					
Administration	13,027	3,893	802	94,645	112,367
Management fee	7,024	-	-	-	7,024
Tenant services	197	-	-	31	228
Utilities	19,036	5,649	11,544	22,924	59,153
Maintenance	36,871	16,261	13,272	239,873	306,277
Depreciation	62,112	12,389	26,366	961,102	1,061,969
General	1,633	860	990	55,467	58,950
	139,900	39,052	52,974	1,374,042	1,605,968
OPERATING INCOME (LOSS)	(29,869)	(16,588)	12,830	(637,044)	(670,671)
NON-OPERATING REVENUE (EXPENSE):					
Investment income	17	3	33	413	466
Interest expense	(28,807)	(1,125)	(4,150)	(57,228)	(91,310)
Gain on sale of assets	-	-	-	309,149	309,149
Other	-	-	-	(355,244)	(355,244)
	(28,790)	(1,122)	(4,117)	(102,910)	(136,939)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(58,659)	(17,710)	8,713	(739,954)	(807,610)
CAPITAL CONTRIBUTIONS					
Other non-operating contributions	-	-	-	23,700	23,700
TOTAL CAPITAL CONTRIBUTIONS	-	-	-	23,700	23,700
INCREASE (DECREASE) IN NET POSITION	(58,659)	(17,710)	8,713	(716,254)	(783,910)
NET POSITION-Beginning of year (as previously reported)	(233,562)	187,526	399,125	13,474,283	13,827,372
Restatement	(1,980)	-	-	(13,753)	(15,733)
NET POSITION- Beginning of year (as restated)	(235,542)	187,526	399,125	13,460,530	13,811,639
NET POSITION-End of year	$ (294,201)	$ 169,816	$ 407,838	$ 12,744,276	$ 13,027,729

MGO Certified Public Accountants.

Walnut Creek
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report Required by Oregon State Regulations

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

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, 2014, and the related notes to the financial statements, which collectively comprise Home Forward's basic financial statements, and have issued our report thereon dated September 18, 2014. Our report includes a reference to other auditors, a scope limitation related to the Stephens Creek Crossing North Limited Partnership, Stephens Creek Crossing South Limited Partnership, Beech Street Limited Partnership and Union Station A LIH Limited Partnership (Limited Partnerships), discretely presented component units of Home Forward which were not audited, and an emphasis of a matter paragraph indicating that Home Forward adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Except for the Limited Partnerships, 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 Limited Partnerships, as described in our report on Home Forward's basic financial statements. The financial statements of the discretely presented component units, except for the Gateway Park Limited Partnership, were not audited in accordance with *Government Auditing Standards.* This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors 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 of the financial statements, we considered Home Forward's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Home Forward's internal control. Accordingly, we do not express an opinion on the effectiveness of Home Forward's internal control.

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

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

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

Linda Hurley

Linda Hurley, Partner
for Macias Gini & O'Connell LLP
Walnut Creek, California
September 18, 2014