

HACIENDA COMMUNITY  
DEVELOPMENT CORPORATION

Audited Consolidated Financial Statements  
For the Year Ended June 30, 2017



MCDONALD JACOBS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hacienda Community Development Corporation

### *Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of Hacienda Community Development Corporation (a non-profit corporation) and affiliates, which comprise the consolidated balance sheet as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hacienda Community Development Corporation and affiliates as of June 30, 2017, and changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

We have previously audited Hacienda Community Development Corporation's 2016 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated December 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### *Other Matters*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures and applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of Hacienda Community Development Corporation'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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hacienda Community Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hacienda Community Development Corporation's internal control over financial reporting and compliance.

*McDonald Jacoby, P.C.*

Portland, Oregon  
November 28, 2017

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
CONSOLIDATED BALANCE SHEET  
June 30, 2017  
(With comparative totals for 2016)

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,028,863	\$ 2,653,106
Grants and accounts receivable	1,238,707	636,531
Prepaid expenses	99,011	74,859
Total current assets	4,366,581	3,364,496
Receivable from related parties	1,540,543	2,500,334
Restricted cash	1,478,518	1,420,110
Security deposits	120,061	92,955
Intangible assets	864,180	923,710
Loan receivable	5,685,715	5,685,715
Other receivables	38,317	78,973
Property and equipment, net	25,187,480	20,874,826
Investments in limited partnerships	461,850	584,257
TOTAL ASSETS	\$ 39,743,245	\$ 35,525,376
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 788,117	\$ 246,424
Accrued interest	24,861	21,319
Deferred revenue	209,801	34,784
Current portion of long-term debt	596,189	262,236
Total current liabilities	1,618,968	564,763
Security deposit liability	126,161	92,882
Long-term debt, less current portion	30,414,463	29,511,939
Total liabilities	32,159,592	30,169,584
Net assets (deficit):		
Unrestricted:		
Undesignated	9,504,839	9,309,492
Board designated	603,647	603,476
Net property and equipment	(3,239,428)	(5,287,729)
Total unrestricted	6,869,058	4,625,239
Temporarily restricted	714,595	730,553
Total net assets	7,583,653	5,355,792
TOTAL LIABILITIES AND NET ASSETS	\$ 39,743,245	\$ 35,525,376

See notes to consolidated financial statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended June 30, 2017  
(With comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Revenue and support:</b>				
Private gifts, grants and contracts	\$ 246,955	\$ 598,100	\$ 845,055	\$ 1,049,706
Government grants and contracts	4,780,791	-	4,780,791	1,425,540
In-kind contributions	45,100	-	45,100	48,866
Service revenue	222,847	-	222,847	254,583
Rental income	2,276,814	-	2,276,814	1,944,125
Interest income	126,147	-	126,147	140,517
Other income	207,255	-	207,255	263,423
Net assets released from restrictions:				
Satisfaction of purpose restrictions	614,058	(614,058)	-	-
Total revenue and support	8,519,967	(15,958)	8,504,009	5,126,760
<b>Expenses:</b>				
Program services	5,487,680	-	5,487,680	5,150,933
Management and general	690,448	-	690,448	573,723
Fundraising	98,020	-	98,020	32,542
Total expenses	6,276,148	-	6,276,148	5,757,198
Change in net assets	2,243,819	(15,958)	2,227,861	(630,438)
Net assets - beginning of year	4,625,239	730,553	5,355,792	5,986,230
Net assets - end of year	\$ 6,869,058	\$ 714,595	\$ 7,583,653	\$ 5,355,792

See notes to consolidated financial statements.

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
 For the year ended June 30, 2017  
 (With comparative totals for 2016)

	Program Services										2016 Total
	Housing Development	Home Ownership Support	Community Economic Development	Youth and Family Support	Asset Management	Financial Capabilities	Total Program Services	Management and General	Fundraising	2017 Total	
Salaries and wages	\$ 55,058	\$ 439,240	\$ 278,540	\$ 504,837	\$ 92,276	\$ 110,791	\$ 1,480,742	\$ 281,823	\$ 52,526	\$ 1,815,091	\$ 1,724,964
Benefits and taxes	11,110	119,944	63,658	140,001	21,605	24,286	380,604	66,025	10,470	457,099	428,565
Program supplies	303	11,827	15,769	41,946	187,188	3,139	260,172	4,086	7,921	272,179	258,839
Direct assistance	-	78,854	5,061	28,718	162	-	112,795	-	-	112,795	88,402
Travel and related	670	10,915	7,797	7,910	997	4,769	33,058	11,803	332	45,193	36,347
Management fees	-	-	443	-	167,681	-	168,124	-	-	168,124	135,320
Marketing and outreach	164	20,626	22,893	1,182	3,434	175	48,474	1,416	3,070	52,960	76,102
Office supplies and expense	1,091	7,711	41,054	14,495	34,753	1,327	100,431	14,577	2,053	117,061	108,757
Computer supplies and support	523	5,071	3,593	4,971	6,406	6,287	26,851	12,119	1,193	40,163	54,533
Staff development	1,080	2,468	5,252	8,907	2,208	1,390	21,305	13,248	1,679	36,232	25,454
Professional fees	3,070	3,666	36,723	9,747	49,212	209	102,627	99,496	6,223	208,346	196,596
Rent and utilities	4,456	30,297	175,989	37,354	315,282	6,430	569,808	17,512	2,626	589,946	528,506
Insurance	1,009	8,051	9,026	9,608	49,788	1,524	79,006	8,801	687	88,494	79,394
Repairs and maintenance	2,548	18,366	62,128	21,829	440,837	3,584	549,292	10,260	9,240	568,792	515,384
Depreciation and amortization	-	-	75,392	-	999,691	-	1,075,083	29,653	-	1,104,736	997,217
Interest	5,000	-	14,461	-	449,001	-	468,462	118,670	-	587,132	499,584
Miscellaneous	4,325	-	3,251	-	3,270	-	10,846	959	-	11,805	3,234
<b>Total expenses</b>	<b>\$ 90,407</b>	<b>\$ 757,036</b>	<b>\$ 821,030</b>	<b>\$ 831,505</b>	<b>\$ 2,823,791</b>	<b>\$ 163,911</b>	<b>\$ 5,487,680</b>	<b>\$ 690,448</b>	<b>\$ 98,020</b>	<b>\$ 6,276,148</b>	<b>\$ 5,757,198</b>

See notes to consolidated financial statements.



HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended June 30, 2017  
(With comparative totals for 2016)

	2017	2016
<b>Cash flows from operating activities:</b>		
Cash receipts:		
Private gifts, grants and contracts	\$ 824,281	\$ 903,176
Government grants and contracts	3,027,195	1,656,810
Service receipts	222,847	254,583
Rental income	2,272,623	1,944,125
Interest income	84,177	140,517
Other income	173,174	229,891
Total cash receipts	6,604,297	5,129,102
Cash disbursements:		
Payroll and related expenses	2,276,442	2,148,953
Interest expense	496,042	499,914
Other operating expenses	1,830,661	2,816,871
Total cash disbursements	4,603,145	5,465,738
Net cash provided by (used in) operating activities	2,001,152	(336,636)
 <b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(1,698,957)	(1,392,292)
Acquisition of equity interest - Los Jardines de la Paz, LP	98,451	-
Proceeds from restricted cash	102,788	2,191,594
Receipts (payments) on related party receivables	123,445	(541,312)
Net cash provided by (used in) by investing activities	(1,374,273)	257,990
 <b>Cash flows from financing activities:</b>		
Additions to net loan fees	-	(19,000)
Proceeds from long-term debt	21,626	128,492
Principal payments on long-term debt	(272,748)	(259,957)
Net cash provided by (used in) financing activities	(251,122)	(150,465)
 Net increase (decrease) in cash and cash equivalents	375,757	(229,111)
 Cash and cash equivalents - beginning of year	2,653,106	2,882,217
 Cash and cash equivalents - end of year	\$ 3,028,863	\$ 2,653,106

See notes to consolidated financial statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

1. THE ORGANIZATION

Hacienda Community Development Corporation (“Hacienda” or the “Organization”) is an Oregon non-profit corporation established in 1992 to address the affordable housing needs existing in Oregon. Hacienda is a Latino Community Development Corporation that strengthens families by providing affordable housing, homeownership support, economic advancement and educational opportunities for all.

In service of this mission, Hacienda has been providing dignified affordable housing and supportive education, health and economic development programs to Portland’s Latino community for more than twenty years. Hacienda currently owns and operates 381 units of affordable housing serving an estimated 2,000 residents throughout Portland and Molalla, Oregon – 70 percent of whom are first or second generation Latino immigrants and over 90 percent of whom are people of color. Residents earn less than 60 percent of the area median income and more than half of the properties’ occupants are school-aged youth. Hacienda distinguishes itself from other affordable housing developers by offering culturally specific programs for its residents aimed at youth development, education, asset building, social entrepreneurship and healthy living. Hacienda’s motto is *Comunidad Viva!* – Living Community.

**Summary of Programs:**

Hacienda adheres to a proven model for success that focuses on education for residents from birth through adulthood coupled with community economic development initiatives. The programs provide critical support to low-income children and strengthen entire family units in order to reach the long-term goal of increased assets and self-sufficiency. Hacienda’s core programs are Affordable Housing, Homeownership Support, Community Economic Development, Youth and Family Support Services and Financial Capabilities.

**Affordable Housing:** Hacienda’s Affordable Housing program encompasses both Housing Development and Asset Management activities. Developing and maintaining quality, affordable housing is at the core of Hacienda’s mission. Hacienda’s buildings are more than just housing, they are places where families can live and thrive in safe, supportive, community-centered environments. One- to four- bedroom townhomes and apartments are built around community centers, gardens and playgrounds. Resident youth and adults have access to on-site educational and asset-building programs designed to strengthen the economic, physical and emotional health of families. The Organization’s presence as an affordable housing provider has created stable homes for hundreds of families living in some of the most diverse and economically neglected areas of North and Northeast Portland, Oregon.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

1. THE ORGANIZATION, Continued

**Affordable Housing, Continued**

The nine core properties that Hacienda manages are Los Jardines de La Paz, Villa de Clara Vista, Villas de Mariposas, Villa de Sueños, Vista de Rosas, Plaza de Cedros, Clara Vista Townhomes, Plaza Los Robles and Miraflores. The Organization also owns and operates the Baltazar F. Ortiz Community Center (“Ortiz Center”), a commercial facility which houses a county health clinic and family resource center. The Ortiz Center places important Multnomah County health and social service programs in the heart of an at-risk community, and helps many residents access the health care they need. The Organization also developed and operates both the administrative office building and the Portland Mercado, a small business and food services incubator, public market and plaza. Hacienda manages the Ortiz Center and oversees and directs a third party property management company for the day-to-day management of the residential properties and the Portland Mercado.

**Economic Opportunity Program:** Since 2006, the Economic Opportunity Program has formed a central piece of Hacienda’s strategy to help families build and protect their assets. As a HUD-approved housing counseling agency with a team of certified counselors, Hacienda staff provide financial coaching and work with families 1-on-1 to assist them in making the best financial choices for their household. Our vision is inspired by the prospect of a community in which families can empower themselves to build financial assets, become financially literate, and position themselves up for future prosperity. Client-focused financial coaching, intensive financial education courses and financial products and resources that meet clients where they are at, make the community a place everyone can call home.

Hacienda CDC is a national affiliate and active member of the UnidosUS Homeownership Network, the largest family of community-based organizations working together to empower Latino wealth-building through homeownership. Many of the services are offered free of charge and are available to all Oregon residents. The Economic Opportunity group consists of three programs: Camino a Casa/Pre-Purchase, Foreclosure Prevention and Financial Capabilities.

The Camino A Casa/Pre-Purchase Program prepares prospective homebuyers for homeownership. Clients work closely with financial coaches and HUD-certified housing counselors throughout the entirety of the home-buying process. In addition to mortgage-readiness and financial fitness workshops, we provide a number of opportunities for down-payment assistance.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

1. THE ORGANIZATION, Continued

Economic Opportunity Program, Continued

The Foreclosure Prevention Program provides support to homeowners at risk of foreclosure by means of a holistic and coaching-based approach to identify possible solutions for home retention. Services are free of charge.

The Financial Capabilities Program is designed to help families and individuals reach their financial goals through an array of services offered by Hacienda CDC. The program takes a client-specific, coaching-based approach which puts the client's needs at the center of our work. This technique has been shown to substantially increase the number of participants successfully reaching their goals. The idea of financial capability goes beyond traditional financial education to building the necessary financial skills that lead to behavior change as well as the ability to find and access high quality financial products and services.

**Community Economic Development:** The Community Economic Development program gives current and aspiring entrepreneurs the tools they need to launch or expand their businesses. Working in group classes and one-on-one with experienced business coaches, business owners learn new skills and connect with industry experts to help them on their path to success. Classes and coaching are offered in both English and Spanish, and the program serves primarily low-income entrepreneurs of color.

A focal point of the program is the Portland Mercado, Portland's first Latino Public Market. Since its opening in 2015, the Portland Mercado has provided access to affordable retail spaces and a commercial kitchen for businesses participating in the Community Economic Department's programs. The space serves 60+ food businesses each year, focusing on the foods of Latin America and Latino entrepreneurs. The Portland Mercado also hosts a variety of community, cultural, and artistic events and performances. Dedicated to building bridges between cultures through food, art, and entertainment, the Portland Mercado has quickly become a beloved cultural institution in the city.

**Youth and Family Support Services:** Hacienda's Youth and Family Support programs focus on providing educational and social support to children and parents. Our programs promote healthy and vibrant parent-child relationships, helping children reach their full potential and giving parents the tools to support their child's educational and emotional development. Hacienda's bilingual and bicultural staff or other culturally specific community partners administer all Youth and Family Support programs.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

1. THE ORGANIZATION, Continued

Youth and Family Support Services, Continued

Expresiones, the Organization's afterschool program, serves residents in grades kindergarten through 9<sup>th</sup> grade, with bilingual academic support, culturally specific enrichment activities, summer programming and parental involvement activities. Portland Niños, an early childhood educational program serves Latino children throughout Multnomah County and uses the "Parents as Teachers" curriculum. The program aims to reduce the academic and health disparities in Latino and immigrant children by providing support for families with children from birth to age five. Parents participate in bi-weekly parenting support groups, educational workshops and bi-weekly home visits from Hacienda's Parent Educators to monitor the child's health and development. Finally, the SUN Youth Advocacy (SYA) program places case managers in Portland Public Schools to provide culturally appropriate support to at-risk Latino middle-schoolers. SYA provides academic support and cultural enrichment opportunities to 100 youth annually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the following entities. All significant inter-organization amounts have been eliminated in consolidation.

- Hacienda Community Development Corporation
- Villa de Clara Vista Limited Partnership
- Villa de Sueños Limited Partnership
- Vista de Rosas, LLC
- Los Jardines de la Paz, Limited Partnership (as of January 1, 2017)
- Hacienda QALICB, LLC
- Portland Mercado, LLC
- Comunidad Viva

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

The Organization considers all short-term, highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Restricted cash is reported separately. See Note 3.

Grants and Accounts Receivable

Grants and accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of outstanding receivable balances, with consideration given to credit history and current relationships with the related debtors, management has concluded that realization losses on balances outstanding at year-end will be immaterial. Contributions are recorded when the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Debt Service Costs, Change in Accounting Principle

Effective June 30, 2017, the Organization retrospectively adopted the provisions of ASU No. 2015-03 (“ASU 2015-03”), *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability and amortization of debt issuance costs be reported as interest expense using the straight-line method. See Note 11 for additional information. The adoption of ASU 2015-03 did not have a material effect on the consolidated balance sheets, statement of activities or statement of cash flows for the years ended June 30, 2017 or 2016.

Property and Equipment

Additions to property and equipment in excess of \$5,000 with an estimated useful life of three years or more are capitalized. Property and equipment are stated at cost or fair value on the date of donation. Cost includes expenditures for additions and major improvements as well as interest costs incurred during construction.

Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, which are as follows:

Buildings	30 to 40 years
Office furniture and equipment	3 to 7 years

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments in Limited Partnerships

Investments in limited partnerships are accounted for under the equity method, as the Organization has "significant influence" over the operations of the limited partnerships. Under the equity method, the initial investment is recorded at cost and is increased or decreased by the Organization's share of income or losses and is increased by contributions and decreased by distributions.

Management reviews the interests in the partnerships for possible impairment in value whenever events or circumstances indicate the carrying value of the investment may not be recoverable. If there was an indication of impairment, management would prepare an estimate of cash flows expected to be collected from the partnership. If these cash flows were less than the investment in the partnership, a loss would be recognized to write down the investment. No such evidence of impairment was noted in the years ended June 30, 2017 and 2016. See Note 16 for impairment of property before acquisition.

Deferred Revenue

Deferred revenue represents fees received in advance of the services being performed. This revenue is recognized in the period the services are performed.

Public Support, Revenue and Other Income

Public support, revenue and other income are considered to be available for unrestricted use unless specifically restricted by the donor or funding source. The Organization reports contributions of cash and other assets with restrictions as either permanently or temporarily restricted depending on the donor stipulations. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

In-kind Contributions

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions include approximately \$45,100 and \$48,900 (primarily advertising) for the years ended June 30, 2017 and 2016, respectively.



HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Taxes

The Organization is exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Accordingly, no income tax provision is recorded. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Partnerships and limited liability companies are not tax-paying entities for federal or state income tax purposes; accordingly, a provision for income taxes has not been recorded in the accompanying consolidated financial statements. Partnership income or losses are reflected in the partners' individual or corporate income tax returns in accordance with their ownership percentages.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

Summarized Financial Information for 2016

The financial information as of June 30, 2016 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain amounts in the prior year consolidated financial statements were reclassified to conform with the current year presentation.



**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Subsequent Events

The Organization has evaluated all subsequent events through November 28, 2017, the date the consolidated financial statements were available to be issued. See Note 21.

**3. RESTRICTED CASH**

Restricted cash includes various construction, maintenance, operating, replacement, escrow and loan reserves required to be maintained according to provisions of debt and other agreements. These reserves totaled \$1,478,518 and \$1,420,110 at June 30, 2017 and 2016, respectively.

**4. GRANTS, ACCOUNTS AND OTHER RECEIVABLES**

Grants, accounts and other receivables are unsecured. During 2015, the Organization entered into a 5-year ground lease agreement with annual lease payments of \$1 per year. The difference between the cash outlay and the fair value of the lease, discounted to present value, was recognized as a donation and a receivable in the consolidated financial statements as of December 2015. The balance is being expensed on a straight-line basis over the term of the lease. Grants, accounts and other receivables consists of the following at June 30, 2017 and 2016:

	<u>6/30/17</u>	<u>6/30/16</u>
Grants and contracts receivable:		
Oregon Community and Housing Services	\$ 504,375	\$ -
Northwest Area Foundation	-	100,000
Meyer Memorial Trust	75,000	150,000
Latino Network	113,368	-
Harbourton Foundation	100,000	-
Other grants and contracts	356,603	356,057
Accounts receivable	<u>127,678</u>	<u>109,447</u>
Total grants, accounts and other receivables	<u>\$ 1,277,024</u>	<u>\$ 715,504</u>

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2017**

5. **RECEIVABLE FROM RELATED PARTIES**

Receivable from related parties consists of the following at June 30, 2017 and 2016:

<u>Related Party/Security</u>	<u>Monthly Payment</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2017 Balance</u>	<u>2016 Balance</u>
<b>Notes receivable: (Note 9)</b>					
Los Jardines de la Paz Limited Partnership: (b)					
Third deed of trust on real property	(a)	1.00%	Dec 2052	\$ -	\$ 344,562
Third deed of trust on real property	(a)	5.57%	Dec 2052	-	341,017
Clara Vista Townhomes Limited Partnership:					
Subordinate trust deed on real property	(a)	3.00%	Dec 2045	287,922	287,922
Miraflores Development Limited Partnership:					
Trust deed on real property	(a)	3.00%	Jun 2048	65,000	65,000
Trust deed on real property	(a)	4.35%	Dec 2040	396,379	396,379
				<u>749,301</u>	<u>1,434,880</u>
<b>Development fees receivable:</b>					
Clara Vista Townhomes Limited Partnership				-	13,664
Villas de Mariposas Limited Partnership (c)				180,152	180,152
				<u>180,152</u>	<u>193,816</u>
<b>Management fees receivable:</b>					
Los Jardines de la Paz Limited Partnership (b)				-	66,713
Clara Vista Townhomes Limited Partnership				275,586	247,486
Miraflores Development Limited Partnership				18,633	18,090
Villas de Mariposas Limited Partnership				72,753	64,056
				<u>366,972</u>	<u>396,345</u>
<b>Accrued interest:</b>					
Los Jardines de la Paz Limited Partnership (b)				-	160,804
Clara Vista Townhomes Limited Partnership				45,766	89,346
Miraflores Development Limited Partnership				122,396	107,923
				<u>168,162</u>	<u>358,073</u>
<b>Other accounts receivable:</b>					
Los Jardines de la Paz Limited Partnership (b)				-	43,593
Clara Vista Townhomes Limited Partnership				34,323	33,973
Villas de Mariposas Limited Partnership				39,722	39,654
Other				1,911	-
				<u>75,956</u>	<u>117,220</u>
Total accounts receivable from related parties				<u>\$ 1,540,543</u>	<u>\$ 2,500,334</u>

(a) Interest accrues; interest payments are cash flow dependent.

(b) See Note 15 regarding assignment of Los Jardines de la Paz, LP partner interest as of December 31, 2016.

(c) By the terms of the Partnership agreement for Villas de Mariposas, LP, as amended in 2015, the Organization is obligated to deposit an amount equal to any unpaid developer fees as of December 31, 2019 into the partnership and to then cause the developer fee to be paid from those funds by January 30, 2020.

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2017**

**6. INTANGIBLE ASSETS**

Intangible assets consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Tax credit financing and professional fees	\$ 1,047,865	\$ 1,047,865
Less accumulated amortization	<u>183,685</u>	<u>124,155</u>
Intangible assets, net	<u>\$ 864,180</u>	<u>\$ 923,710</u>

**7. LOAN RECEIVABLE**

As part of a New Markets Tax Credit project of the Organization, Comunidad Viva loaned \$5,685,715 to Enhanced Capital Oregon NMTC Investment Fund V, LLC on November 14, 2014. The loan is collateralized by a 99.99% membership interest in Enhanced Capital New Market Development Fund XVIII, LLC, accrues interest at 1.4417% and interest only payments are due quarterly. The balance is due upon maturity in December 2044.

**8. PROPERTY AND EQUIPMENT**

Property and equipment, pledged as collateral for the Organization's long-term debt (Note 11), consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 3,624,462	\$ 3,144,528
Building and improvements	28,819,727	24,965,876
Furniture and equipment	1,163,057	887,106
Construction in process	<u>3,101,622</u>	<u>13,425</u>
	36,708,868	29,010,935
Less accumulated depreciation	<u>11,521,388</u>	<u>8,136,109</u>
Property and equipment, net	<u>\$ 25,187,480</u>	<u>\$ 20,874,826</u>

Estimated costs to complete construction renovations under contract on Los Jardines are \$35,000.

Certain equipment with a cost basis of approximately \$275,000 was acquired prior to June 30, 2016 with grant funding of approximately \$137,000 received from a federal agency. Under the terms of the agreement, the equipment reverts to the agency if no longer used in the Organization's program.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

9. INVESTMENTS IN LIMITED PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

Hacienda is affiliated with the following organizations either directly as General Partner, or indirectly through a disregarded entity that is the General Partner. Profits and losses are shared in accordance with the ownership percentages.

Organization	Disregarded Entity	Entity Type	Ownership Percentage	Property Size	Property Type
<i>Direct Ownership:</i>					
Villas de Mariposas LP			0.01%	71 units	Multi-family
Living Cully Plaza, LLC			33.33%	N/A	Investment
<i>Indirect Ownership:</i>					
Clara Vista Townhomes LP	HCDC IV, LLC	LLC	0.01%	44 units	Multi-family
Miraflores Development LP	Miraflores GP, LLC	LLC	0.01%	32 units	Multi-family

Villas de Mariposas Limited Partnership

In 2001, the Organization acquired several rental properties in Northeast Portland for development into 71 low-income housing units. In August 2002, Villas De Mariposas, L.P. (VDM) was formed to acquire, develop, own and operate Villas de Mariposas Apartments. The partnership will terminate no later than December 31, 2065.

Living Cully Plaza, LLC

In June 2015, the Organization entered into agreements with Living Cully Plaza, LLC, as part of a collaborative investment with two other Portland nonprofits. The purpose of the LLC was to purchase a commercial building and land totaling \$2,365,000 with the goal of improving the use and community benefit of the property.

The Organization's capital investment was \$100. In addition, Hacienda CDC signed a \$100,000 guarantee on the loan that was obtained to finance the purchase. Management believes that the value of the property is sufficient to cover the loan obligation. See Note 21 regarding subsequent event.

Clara Vista Townhomes Limited Partnership

In December 2003, Clara Vista Townhomes Limited Partnership (CVTLP) was formed to acquire, develop, own, and operate Clara Vista Townhomes, a 44-unit, low-income housing project located in Portland, Oregon. In February 2004, HCDC IV, LLC was formed to become the general partner for CVTLP. CVTLP will terminate no later than December 31, 2065.

As part of the formation of CVTLP in February 2005, the Organization received several grants for the development of the project, totaling approximately \$287,900. The Organization, in turn, loaned CVTLP approximately \$287,900. (Note 5).

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

9. INVESTMENTS IN LIMITED PARTNERSHIPS AND LIMITED LIABILITY COMPANIES, Continued

Miraflores Development Limited Partnership

In June 2003, the Organization acquired property in the Portsmouth neighborhood of North Portland for development of low-income housing units. In August 2007, Miraflores Development Limited Partnership (MDLP) was formed to complete, acquire, develop, own, and operate the Miraflores Apartments, a planned 32 unit, low-income housing project in Portland, Oregon. The partnership will terminate no later than December 31, 2087.

As part of the formation of MDLP in June 2008, the Portland Development Commission loaned the Organization approximately \$396,500 as an “equity gap” contribution (Note 11) and Multnomah County provided a grant of \$65,000. The proceeds from both of these transactions were loaned to MDLP (Note 5).

Investments in limited partnerships and limited liability companies, accounted for under the equity method, consist of the following at June 30, 2017 and 2016:

	2017	2016
Los Jardines de la Paz Limited Partnership (Note 16)	\$ -	\$ 106,099
Villas de Mariposas Limited Partnership	(161)	(151)
Clara Vista Townhomes Limited Partnership	18,706	18,722
Miraflores Development Limited Partnership	393,203	393,216
Living Cully Plaza, LLC	50,102	66,371
Total investments in limited partnerships and limited liabilities company	\$ 461,850	\$ 584,257

The limited partners of the limited partnerships retain substantive participation rights; therefore, consolidation of the limited partnerships is not required.

Summary financial information of the limited partnerships as compiled from their December 31, 2016 audited financial statements are as follows:

	Total Assets	Total Liabilities	Net Loss
Villas de Mariposas Limited Partnership	\$ 6,346,055	\$ 3,510,431	\$ (100,439)
Clara Vista Townhomes Limited Partnership	5,534,444	3,593,709	(157,433)
Miraflores Development Limited Partnership	6,393,122	1,604,285	(123,799)

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2017**

**9. INVESTMENTS IN LIMITED PARTNERSHIPS AND LIMITED LIABILITY COMPANIES, Continued**

Summary financial information of Living Cully Plaza, LLC (LCP) as of June 30, 2017, are as follows. This entity was not subject to an audit and amounts were obtained from internally prepared reports.

	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Net Loss</u>
Living Cully Plaza, LLC	\$ 2,523,400	\$ 2,354,087	\$ (48,810)

**10. OPERATING LINE OF CREDIT**

The Organization has a \$350,000 unsecured line of credit with Wells Fargo Bank that matures December 31, 2017. The interest rate as of June 30, 2017 was prime (4.25%) plus 1.5% and a minimum interest rate of 4.5%. There were no outstanding advances on the line at June 30, 2017 or 2016.

**II. LONG-TERM DEBT**

Long-term debt consists of the following at June 30, 2017 and 2016:

<u>Lender/Property Security</u>	<u>Monthly Payment</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2017 Loan Balance</u>	<u>2016 Loan Balance</u>
Portland Housing Bureau:					
Los Jardines (Equity gap)	(a)	0.00%	Dec 2052	\$ 344,562	\$ 344,562
Los Jardines	(a)	3.00%	Jan 2033	263,679	263,679
Los Jardines	1,979	2.81%	Mar 2032	318,293	-
Plaza de Cedros (Equity gap)	(a)	0.00%	upon sale	238,187	238,187
Miraflores	(a)	0.00%	Dec 2040	376,585	376,585
Villa de Clara Vista	(a)	0.00%	May 2050	5,113,396	5,113,396
Villa de Clara Vista	713	1.00%	May 2029	90,670	97,831
Villa de Suenos	843	3.00%	Aug 2029	137,563	143,446
Villa de Suenos (Equity gap)	(a)	0.00%	Aug 2029	117,901	117,901
Villa de Suenos (Equity gap)	(a)	0.00%	None	1,125,000	1,125,000
Villa de Suenos	4,545	4.00%	Jun 2031	588,895	619,225
Villa de Suenos	(a)	0.00%	Jun 2041	721,308	721,308
Vista de Rosas	(a)	0.00%	Mar 2045	1,360,000	1,338,374
Vista de Rosas	5,627	5.00%	Mar 2035	1,090,288	1,102,952
Hacienda Office Building	(b)	5.00%	Sept 2035	2,356,035	2,382,851
Portland Development Commission:					
Portland Mercado	(a)	0.00%	May 2025	400,000	400,000
Portland Mercado	2,466	3.25%	May 2025	477,755	490,417

*Continued*

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2017**

**II. LONG-TERM DEBT, Continued**

Lender/Property Security	Monthly Payment	Interest Rate	Maturity Date	2017 Loan Balance	2016 Loan Balance
Network for Oregon Affordable Housing:					
Plaza de Cedros	2,015	3.75%	Sept 2034	306,723	319,142
Los Jardines	8,527	4.17%	Jan 2033	1,171,167	-
USDA:					
Plaza Los Robles	1,990	1.00%	Oct 2039	479,448	498,434
Plaza Los Robles	1,228	1.00%	Oct 2039	295,848	307,564
Clackamas County:					
Plaza Los Robles	(a)	0.00%	upon sale	400,000	400,000
Wells Fargo Bank:					
Baltazar Ortiz Center	5,261	5.50%	Apr 2021	733,993	755,532
Unsecured	Interest only	2.00%	Dec 2017	250,000	250,000
Partnerships of Hope VIII, LLC:					
Hacienda QALICB	(c)	1.00%	Dec 2044	7,063,000	7,063,000
Hacienda QALICB	(d)	1.00%	Dec 2044	2,637,000	2,637,000
Key Bank National Association:					
Villa de Suenos	2,610	3.49%	Sep 2019	310,365	330,311
Villa de Suenos	2,976	7.29%	Sep 2019	289,604	305,046
Raza Development Fund, Inc.:					
Villa de Clara Vista	16,798	6.50%	July 2018	2,014,268	2,082,488
Other loans	126	3.00%	Feb 2034	18,996	19,928
Total long-term debt				31,090,529	29,844,159
Unamortized debt issuance costs				(79,877)	(69,984)
				<u>\$ 31,010,652</u>	<u>\$ 29,774,175</u>
Current portion				\$ 596,189	\$ 262,236
Long-term portion				30,494,340	29,581,923
Unamortized debt issuance costs				(79,877)	(69,984)
				<u>\$ 31,010,652</u>	<u>\$ 29,774,175</u>

(a) Repayment based upon excess cash flow

(b) Monthly payments of \$12,113 began December 2015, when the construction loan converted to a permanent loan.

(c) Quarterly interest only payments through Dec 2021; thereafter quarterly principal and interest of \$ 86,034.

(d) Quarterly interest only payments through Dec 2021; thereafter quarterly principal and interest of \$ 32,121.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

II. LONG-TERM DEBT, Continued

Interest has not been imputed on any of the above notes payable that carry below market rate interest as they are payable to governmental entities or related parties and carry legal restrictions. The restrictions require the Organization to use the property for low-income housing, as defined by the notes' regulatory agreements.

The notes payable, cumulatively stated at \$29,844,159 as of June 30, 2016, have been re-presented to \$29,774,175 to reflect \$69,984 of unamortized debt issuance costs previously included in net financing costs (See Note 2).

Scheduled future principal payments on long-term debt are summarized below for the years ending June 30:

2018	\$	596,189
2019		2,225,572
2020		295,056
2021		941,725
2022		290,379
Thereafter		16,280,993
Equity gap loans		2,202,235
Cash flowcontingent payments		8,258,380
		\$ 31,090,529

Loan Covenants

The Organization maintains debt agreements with several financial institutions that have varying debt covenants. The Organization was in compliance with all covenants and reserve requirements at June 30, 2017 and 2016.



**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2017**

**12. BOARD DESIGNATED NET ASSETS**

Board designated net assets as of June 30, 2017 and 2016 totaled \$603,647 and \$603,476, respectively, and are cash reserves being held for future use.

**13. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted as follows at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Community economic development	\$ 264,956	\$ 190,299
Youth and family support	70,333	50,879
Homeownership support	262,534	377,567
Portfolio preservation plan	36,524	90,795
Other purpose restriction	<u>80,248</u>	<u>21,013</u>
Total temporarily restricted net assets	<u>\$ 714,595</u>	<u>\$ 730,553</u>

**14. RETIREMENT PLAN**

The Organization has a tax-deferred retirement plan pursuant to Section 404(c) of the Internal Revenue Code. The Board determines the Organization's match percentage annually, approving two percent and one percent, respectively for the years ended June 30, 2017 and 2016, respectively. Contributions to the plan for the years ended June 30, 2017 and 2016 totaled approximately \$24,000 and \$11,200, respectively.

**15. RELATED PARTY TRANSACTIONS**

See Notes 5, 9 and 11 regarding investments in limited partnerships and limited liability companies and Note 16 regarding assignment of partnership interest of Los Jardines de la Paz Limited Partnership.

In accordance with various agreements (e.g., the Limited Partnership agreement, loan agreements, etc.), the Organization accrues resident services fees, annual management fees, interest on sponsor loans and developer fees from its related parties.

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2017**

**15. RELATED PARTY TRANSACTIONS, CONTINUED**

The table below summarizes the revenues earned in the years ending December 31, 2017 and 2016:

<u>Yearended June 30, 2017</u>	Resident	Asset	Interest	Developer Fees	Total
	Services Fees	Management Fees	income	and other miscellaneous	
Clara Vista Townhomes LP	\$ 21,547	\$ 28,100	\$ 8,638	\$ 4,191	\$ 62,476
Miraflores Development LP	7,291	12,483	19,192	-	38,966
Villas de Mariposas LP	15,412	8,697	-	-	24,109
Los Jardines de la Paz (through 12/31/16)	4,878	4,328	14,140	-	23,346
	<u>\$ 49,128</u>	<u>\$ 53,608</u>	<u>\$ 41,970</u>	<u>\$ 4,191</u>	<u>\$ 148,897</u>
 <u>Yearended June 30, 2016</u>					
Clara Vista Townhomes LP	\$ 20,919	\$ 27,281	\$ 9,321	\$ -	\$ 57,521
Miraflores Development LP	7,079	12,120	19,192	-	38,391
Villas de Mariposas LP	14,963	8,362	-	-	23,325
Los Jardines de la Paz, LP	9,614	8,490	27,128	25,000	70,232
	<u>\$ 52,575</u>	<u>\$ 56,253</u>	<u>\$ 55,641</u>	<u>\$ 25,000</u>	<u>\$ 189,469</u>

Other

The Organization maintains cash accounts and has outstanding loans with financial institutions at which Board members are employed. Total balances at those banks were approximately \$1,376,000 and \$2,473,000 at June 30, 2017 and 2016, respectively, and the outstanding loan balances were approximately \$984,000 and \$1,005,500 at June 30, 2017 and 2016, respectively.

**16. ASSIGNMENT OF PARTNERSHIP INTEREST**

Effective December 31, 2016, the limited partner in Los Jardines de la Paz, LP (L JLP) assigned its entire 99.9% limited partnership interest to Los Jardines II, LLC, a wholly-owned subsidiary of the Organization, in exchange for \$1. Hacienda CDC continues as the general partner in L JLP and, as a result of the assignment, holds a 100% ownership in the partnership. Consequently, the asset and liability balances related to the partnership have been included in Hacienda's consolidated balance sheet as of June 30, 2017 and the consolidated statement of activities includes the partnership's results of operations beginning January 1, 2017.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

16. ASSIGNMENT OF PARTNERSHIP INTEREST, Continued

Summarized financial information for LJLP at the date of assignment is as follows:

	Balance Sheet immediately prior to assignment	Adjustment of limited partner's equity interest	Balance Sheet adjusted for reduction in value of limited partner's equity interest
Cash	\$ 98,451	\$ -	\$ 98,451
Prepaid expenses and other assets	5,974	-	5,974
Restricted deposits and reserves	190,571	-	190,571
Property and equipment, net	<u>5,505,388</u>	<u>(1,847,980)</u>	<u>3,657,408</u>
Total assets	<u>\$ 5,800,384</u>	<u>\$ (1,847,980)</u>	<u>\$ 3,952,404</u>
Accounts payable and accrued expense	\$ 64,575	\$ -	\$ 64,575
Payable to affiliated organizations	2,281,652	-	2,281,652
Long-term debt	<u>1,500,145</u>	<u>-</u>	<u>1,500,145</u>
Total liabilities	3,846,372	-	3,846,372
Limited partner's equity interest	1,847,981	(1,847,980)	1
General partner's equity interest	<u>106,031</u>	<u>-</u>	<u>106,031</u>
Total net assets	<u>1,954,012</u>	<u>(1,847,980)</u>	<u>106,032</u>
Total liabilities and net assets	<u>\$ 5,800,384</u>	<u>\$ (1,847,980)</u>	<u>\$ 3,952,404</u>

17. CONCENTRATIONS AND CREDIT RISK

The Organization maintains its cash balances in several financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Cash balances in excess of the federally insured limits were approximately \$1,782,000 and \$1,886,700 at June 30, 2017 and 2016, respectively.

For the year ended June 30, 2017, approximately 36% of total revenue was from one governmental entity. In addition, receivables disclosed in Note 4 are concentrated with approximately 56% from three funding sources and 52% from two funding sources at June 30, 2017 and 2016, respectively.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

18. COMMITMENTS AND CONTINGENCIES

Grants and Contracts

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

Grant and Loan Restrictions

Many of the properties owned and operated by Hacienda and its affiliated entities were financed by grants and low/no interest loans. The terms of these grants and loans restrict the use of the property and generally require the property to be rented to low-income qualified tenants for the period of the grant or related loan term. Failure to comply with the terms of the grants or the loans may result in a requirement to repay a portion or all of the proceeds received. Management believes that the exposure on these agreements is minimal.

Tax Benefits Guarantees

As the developer of certain properties financed in part by federal and/or state tax credit allocations, the Organization and its affiliates have made certain guarantees to investors as to the tax credits and other benefits to be derived from the properties. These guarantees generally cover the tax compliance periods of fifteen years after initial lease-up. A payment under such a guarantee could result in a cash distribution from an affiliate's operating cash flow to the investor limited partner. In the opinion of management, compliance with tax regulations and careful monitoring of the properties should preclude these contingent liabilities from materializing. To date, Hacienda and its affiliates have not experienced any calls on these guarantees.

Additionally, in accordance with the partnership agreements, the Organization must also meet certain requirements to:

- Maintain a net worth sufficient to ensure its ability to perform its management obligations.
- Restore any negative capital balance upon liquidation of the general partner's interest.

Plaza de Cedros

Under conditions of a \$100,000 grant from the State of Oregon Housing and Community Services Department, the Organization has guaranteed that properties developed under this project will be managed in accordance with the Federal Low-Income Housing rules defined in Internal Revenue Code Section 42, as well as state and local low-income housing regulations.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

18. COMMITMENTS AND CONTINGENCIES, Continued

Plaza Los Robles

Under the USDA grant and loan agreement, the Organization was required to establish a reserve account and deposit \$30,000 at the time the USDA loan and grant were closed. In addition, the Organization was also required to deposit \$2,084 monthly beginning January 2008 until the amount in the reserve account reaches \$250,000. The funds are to be held as security for the loan and grant obligations. As of June 30, 2017, the Organization was in compliance. This amount is included in restricted cash in the accompanying consolidated balance sheet.

Other Obligations

In November 2014, the Organization entered into transactions to complete three projects. Financing for the projects was provided by a number of governmental and private grants and through two allocations of New Markets Tax Credits ("NMTC"). The benefits of the NMTC are provided over a 7-year period and are based on certain percentages (as determined by the Internal Revenue Service) of the amount of leveraged funding used to finance the construction transaction.

As part of this funding, a 95%-owned subsidiary, Hacienda QALICB LLC, entered into two notes payable (Note II), with limited liability companies that were created to facilitate the NMTC transaction. The Organization is obligated to maintain control of the projects for each of the seven years.

19. LEASE COMMITMENTS

The Organization leases equipment under several operating leases with monthly payments approximating \$1,500 ending at various times through October 2020. Total rent expense approximated \$40,700 and \$50,400 for the years ended June 30, 2017 and 2016, respectively.

Total future minimum lease payments are as follows for the years ending:

June 30, 2018	\$ 14,700
2019	11,700
2020	6,000
2021	1,500
	<u>\$ 33,900</u>

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
June 30, 2017

20. SUPPLEMENTAL CASH FLOW INFORMATION

The following presents a reconciliation of the change in net assets (as reported on the statement of activities) to net cash provided by (used in) operating activities (as reported on the statement of cash flows):

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,227,861	\$ (630,438)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,104,736	997,217
Amortization of debt issuance costs (included in interest expense)	(12,904)	-
Loss on disposal of property	-	30,712
Pass-through income from limited partnerships	16,376	(64,244)
(Increase) decrease in:		
Grants, accounts and related party receivables	(2,005,351)	96,450
Prepaid expenses	(18,521)	42,862
Increase (decrease) in:		
Accounts payable and accrued expenses	513,938	(838,141)
Deferred revenue	<u>175,017</u>	<u>28,946</u>
Net cash provided by (used in) operating activities	<u>\$ 2,001,152</u>	<u>\$ (336,636)</u>

21. SUBSEQUENT EVENT

On October 2, 2017, Hacienda purchased the real property formerly owned by Living Cully Plaza, LLC, of which the Organization is a 33.33% owner (See Note 9). The purchase price of \$2,243,229 was financed by a two-year loan from Raza Development Fund, Inc. (RDF). Management plans to build a mixed use and mixed income development on the property, providing both residential housing and commercial services to the community. The Organization has received additional financing commitments for approximately \$600,000, including supplemental funds available from RDF and a grant from a City of Portland agency, both of which will be used for pre-development costs. It is expected that the project will be completed in 2020.

## CONSOLIDATING INFORMATION

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE I  
CONSOLIDATING BALANCE SHEET  
June 30, 2017

Hacienda Community Development Corporation						
	Core Activities	Ortiz Center	Plaza de Cedros	Plaza los Robles	Casa de Alma	Villa de Clara Vista
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2,134,713	\$ 47,593	\$ 31,836	\$ 82,335	\$ -	\$ 276,744
Grants and accounts receivable	1,193,151	-	85	270	-	5,978
Prepaid expenses	40,330	900	1,486	2,857	-	21,001
Total current assets	<u>3,368,194</u>	<u>48,493</u>	<u>33,407</u>	<u>85,462</u>	<u>-</u>	<u>303,723</u>
Receivable from related parties	3,723,533	18,449	-	(22,500)	-	(66,570)
Restricted cash	8,137	69,438	55,478	248,186	-	313,597
Security deposits	-	-	5,614	16,417	-	36,049
Intangible assets	-	-	-	-	-	-
Loan receivable	-	-	-	-	-	-
Other receivables	38,317	-	-	-	-	-
Property and equipment, net	814,497	1,056,441	538,807	4,176,754	168,548	2,016,421
Long-term ground lease	-	-	-	-	-	-
Investments in limited partnerships	7,832,433	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 15,785,111</u>	<u>\$ 1,192,821</u>	<u>\$ 633,306</u>	<u>\$ 4,504,319</u>	<u>\$ 168,548</u>	<u>\$ 2,603,220</u>
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 701,051	\$ 6,457	\$ 651	\$ 6,100	\$ -	\$ 35,712
Accrued interest	833	2,424	959	646	-	10,911
Deferred revenue	209,801	-	-	-	-	-
Current portion of long-term debt	278,188	22,773	13,856	31,010	-	80,500
Total current liabilities	<u>1,189,873</u>	<u>31,654</u>	<u>15,466</u>	<u>37,756</u>	<u>-</u>	<u>127,123</u>
Security deposit liability	689	-	5,614	16,417	-	36,048
Deferred revenue, ground lease	861,150	-	-	-	-	-
Long-term debt, less current portion	4,371,897	707,270	580,050	1,144,286	-	7,127,758
<b>Total liabilities</b>	<u>6,423,609</u>	<u>738,924</u>	<u>601,130</u>	<u>1,198,459</u>	<u>-</u>	<u>7,290,929</u>
Net assets (deficit):						
Unrestricted:						
Undesignated	9,526,225	127,499	57,275	304,402	-	504,128
Board designated	603,647	-	-	-	-	-
Net property and equipment	(1,482,965)	326,398	(25,099)	3,001,458	168,548	(5,191,837)
Total unrestricted	<u>8,646,907</u>	<u>453,897</u>	<u>32,176</u>	<u>3,305,860</u>	<u>168,548</u>	<u>(4,687,709)</u>
Temporarily restricted	714,595	-	-	-	-	-
Total net assets (deficit)	<u>9,361,502</u>	<u>453,897</u>	<u>32,176</u>	<u>3,305,860</u>	<u>168,548</u>	<u>(4,687,709)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 15,785,111</u>	<u>\$ 1,192,821</u>	<u>\$ 633,306</u>	<u>\$ 4,504,319</u>	<u>\$ 168,548</u>	<u>\$ 2,603,220</u>

See independent auditor's report.



HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE I  
CONSOLIDATING BALANCE SHEET  
June 30, 2017

<u>Villa de Sueños</u>	<u>Vista de Rosas</u>	<u>Hacienda QALICB</u>	<u>Portland Mercado</u>	<u>Comunidad Viva</u>	<u>Los Jardines de la Paz</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
\$ 85,668	\$ 69,104	\$ 74,848	\$ 20,614	\$ 86,609	\$ 118,799	\$ -	\$ 3,028,863
2,151	491	2,761	34,353	-	2,467	(3,000)	1,238,707
7,492	4,327	5,000	6,213	-	9,405	-	99,011
<u>95,311</u>	<u>73,922</u>	<u>82,609</u>	<u>61,180</u>	<u>86,609</u>	<u>130,671</u>	<u>(3,000)</u>	<u>4,366,581</u>
(151,686)	(80,103)	2,528,379	948,149	(1,758)	(3,111,592)	(2,243,758)	1,540,543
169,322	121,755	320,833	12,004	-	159,768	-	1,478,518
10,787	8,355	-	12,805	-	30,034	-	120,061
-	-	864,180	-	-	-	-	864,180
-	-	-	-	5,685,715	-	-	5,685,715
-	-	-	-	-	-	-	38,317
2,337,858	3,491,558	6,636,355	-	-	5,267,687	(1,317,446)	25,187,480
-	-	861,150	-	-	-	(861,150)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,944</u>	<u>-</u>	<u>(7,391,527)</u>	<u>461,850</u>
<u>\$ 2,461,592</u>	<u>\$ 3,615,487</u>	<u>\$ 11,293,506</u>	<u>\$ 1,034,138</u>	<u>\$ 5,791,510</u>	<u>\$ 2,476,568</u>	<u>\$ (11,816,881)</u>	<u>\$ 39,743,245</u>
\$ 4,685	\$ 3,961	\$ 780	\$ 16,157	\$ -	\$ 36,621	\$ (24,058)	\$ 788,117
68,488	-	-	-	-	194,427	(253,827)	24,861
-	-	-	-	-	-	-	209,801
<u>72,961</u>	<u>13,312</u>	<u>-</u>	<u>14,235</u>	<u>-</u>	<u>69,354</u>	<u>-</u>	<u>596,189</u>
146,134	17,273	780	30,392	-	300,402	(277,885)	1,618,968
10,787	8,355	1,440	16,782	-	30,029	-	126,161
-	-	-	-	-	-	(861,150)	-
<u>3,524,919</u>	<u>2,436,976</u>	<u>9,693,876</u>	<u>863,520</u>	<u>-</u>	<u>2,083,961</u>	<u>(2,120,050)</u>	<u>30,414,463</u>
<u>3,681,840</u>	<u>2,462,604</u>	<u>9,696,096</u>	<u>910,694</u>	<u>-</u>	<u>2,414,392</u>	<u>(3,259,085)</u>	<u>32,159,592</u>
(300,096)	111,613	4,654,931	1,001,199	5,791,510	(3,716,051)	(8,557,796)	9,504,839
-	-	-	-	-	-	-	603,647
<u>(920,152)</u>	<u>1,041,270</u>	<u>(3,057,521)</u>	<u>(877,755)</u>	<u>-</u>	<u>3,778,227</u>	<u>-</u>	<u>(3,239,428)</u>
(1,220,248)	1,152,883	1,597,410	123,444	5,791,510	62,176	(8,557,796)	6,869,058
-	-	-	-	-	-	-	714,595
<u>(1,220,248)</u>	<u>1,152,883</u>	<u>1,597,410</u>	<u>123,444</u>	<u>5,791,510</u>	<u>62,176</u>	<u>(8,557,796)</u>	<u>7,583,653</u>
<u>\$ 2,461,592</u>	<u>\$ 3,615,487</u>	<u>\$ 11,293,506</u>	<u>\$ 1,034,138</u>	<u>\$ 5,791,510</u>	<u>\$ 2,476,568</u>	<u>\$ (11,816,881)</u>	<u>\$ 39,743,245</u>

See independent auditor's report.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE II  
CONSOLIDATING STATEMENT OF ACTIVITIES  
For the year ended June 30, 2017

Hacienda Community Development Corporation						
	Core Activities	Ortiz Center	Plaza de Cedros	Plaza los Robles	Casa de Alma	Villa de Clara Vista
<b>Revenue and support:</b>						
Private gifts, grants and contracts	805,666	\$ -	\$ -	\$ -	\$ -	\$ -
Government grants and contracts	4,780,791	-	-	-	-	-
In-kind contributions	38,500	-	-	-	-	-
Service revenue	375,827	-	-	-	-	-
Rental income	15,009	191,489	78,372	218,539	-	893,003
Interest income	61,464	118	37	72	-	69
Other income	-	-	542	14,595	-	25,200
Intercompany transfer of revenue	<u>(2,666,531)</u>	-	-	-	-	-
Total revenue and support	<u>3,410,726</u>	<u>191,607</u>	<u>78,951</u>	<u>233,206</u>	<u>-</u>	<u>918,272</u>
<b>Expenses:</b>						
Program services	2,480,355	177,006	83,748	300,524	11,205	991,363
Intercompany transfer of expense	(1,883,045)	-	-	-	-	-
Management and general	679,990	-	-	-	-	-
Fundraising	98,020	-	-	-	-	-
Total expenses	<u>1,375,320</u>	<u>177,006</u>	<u>83,748</u>	<u>300,524</u>	<u>11,205</u>	<u>991,363</u>
Change in net assets	2,035,406	14,601	(4,797)	(67,318)	(11,205)	(73,091)
Net assets (deficit) - beginning of year	7,290,702	439,296	36,973	3,373,178	179,753	(4,614,618)
Equity transfer	<u>35,394</u>	-	-	-	-	-
Net assets (deficit) - end of year	<u>\$ 9,361,502</u>	<u>\$ 453,897</u>	<u>\$ 32,176</u>	<u>\$ 3,305,860</u>	<u>\$ 168,548</u>	<u>\$ (4,687,709)</u>

See independent auditor's report.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE II  
CONSOLIDATING STATEMENT OF ACTIVITIES  
For the year ended June 30, 2017

Villa de Sueños	Vista de Rosas	Hacienda QALICB	Portland Mercado	Comunidad Viva	Los Jardines de la Paz	Eliminating Entries	Consolidated Total
\$ -	\$ -	\$ -	\$ 39,389	\$ -	\$ -	\$ -	\$ 845,055
-	-	-	-	-	-	-	4,780,791
-	-	1,000	5,600	-	-	-	45,100
-	-	-	7,001	-	-	(159,981)	222,847
328,396	217,507	91,412	100,158	-	249,092	(106,163)	2,276,814
30	24	-	3	81,971	52	(17,693)	126,147
9,140	7,112	-	166,954	-	-	(16,288)	207,255
-	-	2,666,531	-	-	-	-	-
<u>337,566</u>	<u>224,643</u>	<u>2,758,943</u>	<u>319,105</u>	<u>81,971</u>	<u>249,144</u>	<u>(300,125)</u>	<u>8,504,009</u>
359,416	304,381	464,649	324,843	-	292,996	(302,806)	5,487,680
-	-	1,883,045	-	-	-	-	-
-	-	8,700	-	1,758	-	-	690,448
-	-	-	-	-	-	-	98,020
<u>359,416</u>	<u>304,381</u>	<u>2,356,394</u>	<u>324,843</u>	<u>1,758</u>	<u>292,996</u>	<u>(302,806)</u>	<u>6,276,148</u>
(21,850)	(79,738)	402,549	(5,738)	80,213	(43,852)	2,681	2,227,861
(1,198,398)	1,232,621	1,194,861	88,526	5,787,347	-	(8,454,449)	5,355,792
-	-	-	40,656	(76,050)	106,028	(106,028)	-
<u>\$ (1,220,248)</u>	<u>\$ 1,152,883</u>	<u>\$ 1,597,410</u>	<u>\$ 123,444</u>	<u>\$ 5,791,510</u>	<u>\$ 62,176</u>	<u>\$ (8,557,796)</u>	<u>\$ 7,583,653</u>

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