

HACIENDA COMMUNITY
DEVELOPMENT CORPORATION

Audited Consolidated Financial Statements
For the Year Ended June 30, 2016



McDONALD JACOBS

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INDEPENDENT AUDITOR'S REPORT

Shareholders

MARK A. CLIFT, CPA
KARIN S. WANDTKE, CPA
SANG AHN, CPA
GERARD DEBLOIS JR., CPA
MARY STRASDIN, CPA
ANTHONY ALMER, CPA
TYEE CARR, CPA

Principals

JAKE JACOBS, CPA
SUSAN J. MARKS, CPA

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, 2016, 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, 2016, and changes in their net assets and their cash flows for the year then ended in conformity 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 2015 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated December 2, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 December 16, 2016, 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 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 Hacienda Community Development Corporation's internal control over financial reporting and compliance.

McDonald Jacobson, P.C.

Portland, Oregon
December 16, 2016

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED BALANCE SHEET
June 30, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,653,106	\$ 2,882,217
Grants and accounts receivable	636,531	692,325
Prepaid expenses	74,859	115,417
Total current assets	3,364,496	3,689,959
Receivable from related parties	2,500,334	1,959,022
Restricted cash	1,420,110	3,611,704
Security deposits	92,955	95,259
Loan costs, net	993,694	1,061,972
Loan receivable	5,685,715	5,685,715
Other receivables	78,973	119,629
Property and equipment, net	20,874,826	20,423,185
Investments in limited partnerships	584,257	520,013
TOTAL ASSETS	\$ 35,595,360	\$ 37,166,458
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 246,424	\$ 1,082,925
Accrued interest	21,319	21,650
Deferred revenue	34,784	5,838
Current portion of long-term debt	262,236	505,977
Total current liabilities	564,763	1,616,390
Security deposit liability	92,882	94,191
Long-term debt, less current portion	29,581,923	29,469,647
Total liabilities	30,239,568	31,180,228
Net assets (deficit):		
Unrestricted:		
Undesignated	9,309,492	9,227,402
Board designated	603,476	603,476
Net property and equipment	(5,287,729)	(4,303,645)
Total unrestricted	4,625,239	5,527,233
Temporarily restricted	730,553	458,997
Total net assets	5,355,792	5,986,230
TOTAL LIABILITIES AND NET ASSETS	\$ 35,595,360	\$ 37,166,458

See notes to consolidated financial statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
Revenue and support:				
Private gifts, grants and contracts	\$ 113,112	\$ 936,594	\$ 1,049,706	\$ 646,731
Government grants and contracts	1,425,540	-	1,425,540	2,702,889
In-kind contributions	48,866	-	48,866	211,648
Service revenue	254,583	-	254,583	203,776
Rental income	1,944,125	-	1,944,125	1,753,010
Interest income	140,517	-	140,517	112,594
Other income	263,423	-	263,423	50,441
Net assets released from restrictions:				
Satisfaction of purpose restrictions	665,038	(665,038)	-	-
Total revenue and support	4,855,204	271,556	5,126,760	5,681,089
Expenses:				
Program services	5,150,933	-	5,150,933	4,641,464
Management and general	573,723	-	573,723	522,085
Fundraising	32,542	-	32,542	42,985
Total expenses	5,757,198	-	5,757,198	5,206,534
Change in net assets from operations	(901,994)	271,556	(630,438)	474,555
Proceeds from lawsuit settlement (Note 17)	-	-	-	-
Loss from impairment of long-lived assets (Note 20)	-	-	-	-
Change in net assets	(901,994)	271,556	(630,438)	474,555
Net assets - beginning of year	5,527,233	458,997	5,986,230	5,511,675
Net assets - end of year	\$ 4,625,239	\$ 730,553	\$ 5,355,792	\$ 5,986,230

See notes to consolidated financial statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2016
 (With comparative totals for 2015)

	Program Services							Fundraising	2016 Total	2015 Total
	Housing Development	Home Ownership Support	Community Economic Development	Youth and Family Support	Asset Management	Total Program Services	Management and General			
Salaries and wages	\$ 118,498	\$ 520,070	\$ 324,723	\$ 383,066	\$ 117,550	\$ 1,463,907	\$ 20,852	\$ 1,724,964	\$ 1,669,373	
Benefits and taxes	23,628	131,437	71,682	107,367	26,170	360,284	4,732	428,565	421,194	
Program supplies	1,667	15,192	46,575	39,400	151,437	254,271	785	258,839	277,152	
Direct assistance	-	47,705	13,594	19,638	7,465	88,402	-	88,402	123,739	
Travel and related Management	2,318	19,951	5,943	5,255	1,104	34,571	113	36,347	41,775	
	-	-	-	-	135,320	135,320	-	135,320	122,235	
Office supplies and expense	2,548	16,432	22,939	13,402	32,254	87,575	685	108,757	184,758	
Computer supplies and support	1,558	16,460	7,343	10,919	8,354	44,634	475	54,533	59,945	
Staff development	1,450	5,919	4,304	6,754	859	19,286	39	25,454	15,953	
Professional fees	4,024	20,813	29,316	9,213	43,729	107,095	457	196,596	122,334	
Rent and utilities	6,974	45,429	176,779	53,238	215,090	497,510	2,014	528,506	506,899	
Insurance	1,320	7,985	9,768	8,832	43,721	71,626	379	79,394	66,897	
Repairs and maintenance	3,042	19,792	35,477	21,240	416,033	495,584	923	515,384	499,030	
Depreciation and amortization	-	-	84,882	-	909,363	994,245	2,972	997,217	755,969	
Interest	5,000	-	18,953	-	395,745	419,698	-	499,584	310,069	
Miscellaneous	597	13,745	53,295	2,863	6,425	76,925	1,088	79,336	29,212	
Total expenses	\$ 172,624	\$ 880,930	\$ 905,573	\$ 681,187	\$ 2,510,619	\$ 5,150,933	\$ 32,542	\$ 5,757,198	\$ 5,206,534	

See notes to consolidated financial statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016	2015
Cash flows from operating activities:		
Cash receipts:		
Private gifts, grants and contracts	\$ 903,176	\$ 923,871
Government grants and contracts	1,656,810	2,475,867
Service receipts	254,583	203,776
Rental income	1,944,125	1,753,010
Interest income	140,517	112,594
Other income	229,891	48,618
Total cash receipts	5,129,102	5,517,736
Cash disbursements:		
Payroll and related expenses	2,148,953	2,072,128
Interest expense	499,914	310,470
Other operating expenses	2,816,871	1,140,817
Total cash disbursements	5,465,738	3,523,415
Net cash provided by (used in) operating activities	(336,636)	1,994,321
 Cash flows from investing activities:		
Acquisition of property and equipment	(1,392,292)	(6,992,709)
Proceeds from (transfers to) restricted cash	2,191,594	(2,734,976)
Loans made to others	-	(5,685,715)
Receipts (payments) on related party receivables	(541,312)	571,784
Net cash provided by (used in) by investing activities	257,990	(14,841,616)
 Cash flows from financing activities:		
Additions to loan fees	(19,000)	(1,064,523)
Proceeds from long-term debt	128,492	16,060,933
Principal payments on long-term debt	(259,957)	(1,232,369)
Net cash provided by (used in) financing activities	(150,465)	13,764,041
 Net increase (decrease) in cash and cash equivalents	(229,111)	916,746
 Cash and cash equivalents - beginning of year	2,882,217	1,965,471
 Cash and cash equivalents - end of year	\$ 2,653,106	\$ 2,882,217

See notes to consolidated financial statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2016

I. THE ORGANIZATION

The Organization

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

In service of this mission, Hacienda CDC 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 CDC currently owns and operates 381 units of affordable housing serving 2,000 residents throughout Portland and Molalla, Oregon – 70 percent of whom are first or second generation Hispanic immigrants and over 90 percent of whom are people of color. Residents typically earn less than 50 percent of family median income for the area and more than half are school-aged youth. Hacienda CDC 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 CDC's motto is *Comunidad Viva!* – Living Community.

Summary of Programs:

Hacienda CDC adheres to a proven model for success which 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 CDC's core programs are Affordable Housing, Homeownership Support, Community Economic Development and Youth, 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 CDC's mission. Hacienda CDC'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 provided stable homes for hundreds of families living in some of the most depressed areas of North and Northeast Portland and Molalla, Oregon.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

I. THE ORGANIZATION, Continued

Affordable Housing, Continued

The ten 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, Casa de Alma and Miraflores.

Hacienda CDC is the General Partner in Los Jardines de La Paz, Villas de Mariposas, Clara Vista Townhomes and Miraflores. The Organization also owns and operates the Baltazar Ortiz Community 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. Hacienda oversees and directs a third party property management company, which manages all of the residential properties on a day-to-day basis.

Homeownership Support Program: Homeownership is an important asset-building and community-building strategy. Unfortunately, Latinos own homes at rates far lower than their non-Hispanic counterparts. Hacienda CDC's Homeownership Support Program is a HUD-approved housing counseling agency. Hacienda CDC provides services to families and individuals buying their first homes, to those who are at risk of losing their homes to foreclosure, and those who seek reverse mortgage counseling. Certified housing counselors provide financial coaching and work with families 1-on-1 to assist them in making the best financial choices for their household..

Since 2006, the Homeownership Support Program has formed a central piece of Hacienda CDC's strategy to help families build and protect their assets. Hacienda CDC is a national affiliate and active member of the NCLR Homeownership Network, the largest family of community-based organization 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. Assisting families to reach their homeownership goals helps build financial stability that in turn helps to contribute to *Una Comunidad Viva!*

The Camino a Casa program provides capital to first-time homeowners by connecting eligible clients with various programs including Individual Development Accounts and available Down Payment Assistance grants. This enables lower-income families to become homeowners by reducing the initial funds a family must accumulate in order to buy a home. Hacienda CDC provides services to existing homeowners as well. Since 2012, the Homeownership Support Program has also been designated and authorized to provide pre-mediation counseling to homeowners facing foreclosure in order to prepare them for mediation with their mortgage servicer.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

I. THE ORGANIZATION, Continued

Community Economic Development: Owning a business is empowering and builds assets that lift people out of poverty – not only the entrepreneur but also their family and community. Hacienda envisions success for its business owners not only in their businesses but as leaders in their community. This is unique in Portland. The program offers business advising, training *and* access to an affordable commissary kitchen, retail spaces and sales opportunities in a way that is bilingual and bi-cultural.

The Community Economic Development program is centered in Hacienda CDC's Portland Mercado, Portland's first Latino Public Market. A landmark cultural institution, it bridges cultures through arts and performances, food and small business ownership in the underserved area of outer southeast Portland. The program is looking to expand the services it offers in the next few years as Hacienda continues to develop new retail projects.

Youth and Family Support Services: Latino children are a growing segment of Portland's public school population, yet their dropout rate is at an alarming 50%. Staying enrolled in and graduating from school is a key strategy of success for Hacienda CDC youth. *Expresiones*, the Organization's afterschool program, serves residents in grades kindergarten through 9th 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 CDC's Parent Educators to monitor the child's health and development. Finally, the *Avanzamos* program places case managers in Portland Public Schools to provide culturally appropriate support to at-risk Latino middle-schoolers. *Avanzamos* provides academic support and cultural enrichment opportunities to 100 youth annually.

Financial Capabilities Program: Hacienda helps families build assets, such as buying a first home or starting a business. Financial capability is a key in making those dreams a reality by helping families build the futures they envision. The idea of financial capability goes beyond traditional financial education to building the necessary financial skills that lead to behavior change as well as access to high quality financial products and service. The Financial Capabilities Program works to incorporate financial capabilities into all our existing programming, to help all families who reach out to Hacienda gain the necessary skills to move towards long term financial stability and wealth.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

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
- 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.

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.

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 the credit history with those having outstanding balances and current relationships with them, 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.

Loan Fees

Loan fees are capitalized and amortized over the term of the loan using the straight line method.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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, 2016 and 2015.

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.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions include approximately \$48,900 (advertising) for the year ended June 30, 2016, and \$211,600 (discounted ground lease) for the year ended June 30, 2015.

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.

The Organization's information and income tax returns for years ended June 30, 2012 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

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.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 2015

The financial information as of June 30, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through December 16, 2016, the date the consolidated financial statements were available to be issued.

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 \$1,420,110 and \$3,611,704 at June 30, 2016 and 2015, 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 fair value of the lease, discounted to present value, and the cash outlay is recognized as a donation in the accompanying consolidated financial statements and included in receivables, which will be expensed on a straight-line basis over the term of the lease.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

5. RECEIVABLE FROM RELATED PARTIES

Receivable from related parties consists of the following at June 30, 2016 and 2015:

Related Party/Security	Monthly Payment	Interest Rate	Maturity Date	2016 Balance	2015 Balance
Notes receivable:					
Los Jardines Limited Partnership (Note 8):					
Third deed of trust on real property	*	1.00%	Dec 2052	\$ 344,562	\$ 344,562
Third deed of trust on real property	*	5.57%	Dec 2052	341,017	341,017
Clara Vista Townhomes Limited Partnership (Note 8):					
Subordinate trust deed on real property	*	3.00%	Dec 2045	287,922	287,922
Miraflores Development Limited Partnership (Note 8):					
Trust deed on real property	*	3.00%	Jun 2048	65,000	65,000
Trust deed on real property	*	4.35%	Dec 2040	396,379	396,379
				<u>1,434,880</u>	<u>1,434,880</u>
Development fees receivable:					
Los Jardines Limited Partnership				-	75,000
Villas de Mariposas Limited Partnership				180,152	180,152
Clara Vista Townhomes Limited Partnership				13,664	55,287
				<u>193,816</u>	<u>310,439</u>
Management fees receivable:					
Los Jardines Limited Partnership				66,713	71,684
Villas de Mariposas Limited Partnership				64,056	55,694
Clara Vista Townhomes Limited Partnership				247,486	220,205
Miraflores Development Limited Partnership				18,090	21,909
				<u>396,345</u>	<u>369,492</u>
Accrued interest:					
Los Jardines Limited Partnership				160,804	133,676
Clara Vista Townhomes Limited Partnership				89,346	80,025
Miraflores Development Limited Partnership				107,923	100,288
				<u>358,073</u>	<u>313,989</u>
Other accounts receivable (including cash held on behalf of others)					
Los Jardines Limited Partnership				43,593	(553,653)
Clara Vista Townhomes Limited Partnership				33,973	33,973
Villas de Mariposas Limited Partnership				39,654	43,067
Other				-	6,835
				<u>117,220</u>	<u>(469,778)</u>
Total accounts receivable from related parties				<u>\$ 2,500,334</u>	<u>\$ 1,959,022</u>

* Interest accrues; interest payments are cash flow dependent.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

6. PROPERTY AND EQUIPMENT

Property and equipment, pledged as collateral for the Organization's long-term debt (Note 10), consist of the following at June 30, 2016 and 2015:

	2016	2015
Land and land improvements	\$ 3,144,528	\$ 3,145,043
Building and improvements	24,965,876	18,314,581
Furniture and equipment	887,106	921,841
Construction in process	13,425	5,426,991
	<u>29,010,935</u>	<u>27,808,456</u>
Less accumulated depreciation	8,136,109	7,385,271
Property and equipment, net	<u>\$ 20,874,826</u>	<u>\$ 20,423,185</u>

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

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. 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. INVESTMENTS IN LIMITED PARTNERSHIPS AND LLC'S

Investments in limited partnerships and limited liability companies, accounted for under the equity method, consist of the following at June 30, 2016 and 2015:

	2016	2015
Los Jardines Limited Partnership	\$ 106,099	\$ 106,183
Villas de Mariposas Limited Partnership	(151)	(138)
Clara Vista Townhomes Limited Partnership	18,722	18,735
Miraflores Development Limited Partnership	393,216	393,231
Living Cully Plaza, LLC	66,371	2,002
Total investments in limited partnerships and limited liabilities company	<u>\$ 584,257</u>	<u>\$ 520,013</u>

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

8. INVESTMENTS IN LIMITED PARTNERSHIPS AND LLC'S, Continued

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, 2015 audited financial statements are as follows:

	Total Assets	Total Liabilities	Net Loss
Los Jardines Limited Partnership	\$ 4,731,582	\$ 2,708,445	\$ (83,827)
Villas de Mariposas Limited Partnership	6,556,003	3,619,940	(128,684)
Clara Vista Townhomes Limited Partnership	5,844,046	3,745,878	(134,616)
Miraflores Development Limited Partnership	6,599,223	1,686,587	(164,348)

Summary financial information of Living Cully Plaza, LLC (LCP) as of June 30, 2016, follows. This entity was not subject to an audit and amounts were obtained from internally prepared reports.

	Total Assets	Total Liabilities	Net Loss
Living Cully Plaza, LLC	\$ 2,509,245	\$ 2,310,131	\$ (39,146)

Los Jardines Limited Partnership

In October 1999, the Organization acquired several rental properties in Northeast Portland for development into 43 low-income housing units. In February 2000, Los Jardines Limited Partnership (LJLP) was formed to acquire, develop, own and operate the project as Los Jardines Apartments. The original general partner was the Organization and the original limited partners were both the Organization and the Executive Director of the Organization.

In August 2001 the Organization transferred all assets and liabilities associated with the project to LJLP. At the same time, Homestead Equity Fund II Limited Partnership was admitted as limited partner and the Organization and the Organization's Executive Director withdrew as limited partners. The Organization remained as general partner.

As part of the formation of LJLP in August 2001, the Portland Development Commission loaned the Organization approximately \$344,600 as an "equity gap" contribution (Note 10) and committed up to approximately \$346,800 under a construction loan (Note 10). The Organization, in turn, loaned LJLP approximately \$344,600 and \$341,000 (Note 5).

The Organization's investment in LJLP consists of a 0.1% general partnership interest. The partnership will terminate no later than December 31, 2065.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

8. INVESTMENTS IN LIMITED PARTNERSHIPS AND LLC'S, Continued

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 original general partner was the Organization and the original limited partners were both the Organization and the Executive Director of the Organization.

In June of 2003, Homestead Community Finance, LLC was admitted as an additional limited partner. In July of 2003, The Organization transferred all assets and liabilities associated with the housing units to VDM. At the same time, Homestead Equity Fund B – Oregon Limited Partnership, an Oregon limited partnership, was admitted as the limited partner and the Organization, the Organization's Executive Director, and Homestead Community Finance, LLC withdrew as limited partners. The Organization remained as general partner.

In August 2003 a substitute limited partner Homestead Equity Fund III Proprietary LP was admitted with a 30% ownership interest.

The Organization's investment in VDM consists of a 0.01% general partnership interest. The partnership will terminate no later than December 31, 2065.

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. The original general partner was the Organization and the original limited partners were both the Organization and the Deputy Director of the Organization.

In February 2004, HCDC IV, LLC was formed to become the general partner for CVTLP. The Organization is the sole member of HCDC IV, LLC. In March of 2004, the Organization withdrew as both general partner and limited partner. HCDC IV, LLC became the substitute general partner and also joined the Deputy Director as the Limited Partner. In October 2004, CVTLP acquired the land to develop the project.

In February 2005, Enterprise Housing Partners XII, LP was admitted to CVTLP as substitute limited partner, and HCDC IV, LLC and the Deputy Director withdrew as limited partners. HCDC IV, LLC remained the general partner. CVTLP will terminate no later than December 31, 2065.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

8. INVESTMENTS LIMITED PARTNERSHIPS AND LLC'S, Continued

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).

The general partner, HCDC IV, LLC, an Oregon limited liability company, has an ownership interest of 0.01%. HCDC IV, LLC contributed \$18,939 to the partnership.

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 original limited partner was the Organization. At the same time, Miraflores GP, LLC was formed for the purpose of being the general partner of MDLP. The Organization is the sole member of Miraflores GP, LLC.

In June 2008, Wincopin Circle LLLP, a Maryland limited liability limited partnership, was admitted to MDLP as the substitute limited partner and the Organization withdrew as limited partner. At this time, the Organization sold the property and the development-to-date to MDLP for \$762,372 plus the repayment of debt of \$314,000 for a total of \$1,076,372. As part of the sale agreement, the Organization contributed \$230,000 to the buyer's capital account in Miraflores Development Limited Partnership.

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 10). The Organization, in turn, loaned MDLP approximately \$396,400 (Note 5). The Organization also received a \$65,000 grant from Multnomah County. The Organization, in turn, loaned MDLP \$65,000 (Note 5).

In November 2008, Wincopin Circle LLLP assigned its limited partner interest to Enterprise Neighborhood Partners Fund III, LLLP.

The general partner, Miraflores GP, LLC, an Oregon limited liability company, has an ownership interest of 0.01%. The partnership will terminate no later than December 31, 2087.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

8. INVESTMENTS LIMITED PARTNERSHIPS AND LLC'S, Continued

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 sale was concluded on June 30, 2015.

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.

9. OPERATING LINE OF CREDIT

The Organization has a \$350,000 unsecured line of credit with Wells Fargo Bank which matures July 1, 2017. The interest rate as of June 30, 2016 was prime (3.5%) plus 1.5% and a minimum interest rate of 4.5%. As of June 30, 2015, the interest rate was prime (3.25%) plus 1.75% with a minimum interest rate of 5.0%. There were no outstanding advances on the line at June 30, 2016 or 2015.

10. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2016 and 2015:

Lender/Property Security	Monthly Payment	Interest Rate	Maturity Date	2016 Loan Balance	2015 Loan Balance
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
Plaza de Cedros (Equity gap)	(a)	0.00%	upon sale	238,187	238,744
Miraflores	(a)	0.00%	Dec 2040	376,585	383,641
Villa de Clara Vista	(a)	0.00%	May 2050	5,113,396	5,120,239
Villa de Clara Vista	713	1.00%	May 2029	97,831	105,015
Villa de Suenos	843	3.00%	Aug 2029	143,446	149,162
Villa de Suenos (Equity gap)	(a)	0.00%	Aug 2029	117,901	110,061
Villa de Suenos (Equity gap)	(a)	0.00%	None	1,125,000	1,125,000
Villa de Suenos	4,545	4.00%	Jun 2031	619,225	648,351
Villa de Suenos	(a)	0.00%	Jun 2041	721,308	729,148
Vista de Rosas	(a)	0.00%	Mar 2045	1,338,374	1,209,881
Vista de Rosas	5,627	5.00%	Mar 2035	1,102,952	1,115,000
Hacienda Office Building	(b)	5.00%	Sept 2035	2,382,851	2,400,000

Continued

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

10. LONG-TERM DEBT, Continued

Lender/Property Security	Monthly Payment	Interest Rate	Maturity Date	2016 Loan Balance	2015 Loan Balance
Portland Development Commission:					
Portland Mercado	(a)	0.00%	May 2025	\$ 400,000	\$ 400,000
Portland Mercado	\$ 2,466	3.25%	May 2025	490,417	505,985
Network for Oregon Affordable Housing:					
Plaza de Cedros	2,015	3.75%	Sept 2034	319,142	330,962
USDA:					
Plaza Los Robles	1,990	1.00%	Oct 2039	498,434	517,231
Plaza Los Robles	1,228	1.00%	Oct 2039	307,564	319,163
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	755,532	775,793
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	330,311	349,532
Villa de Suenos	2,976	7.29%	Sep 2019	305,046	317,630
Raza Development Fund, Inc:					
Villa de Clara Vista	16,798	6.50%	July 2018	2,082,488	2,146,426
Other loans	126	3.00%	Feb 2034	19,928	20,419
Total long-term debt				<u>\$ 29,844,159</u>	<u>\$ 29,975,624</u>
Current portion				\$ 262,236	\$ 505,977
Long-term portion				<u>29,581,923</u>	<u>29,469,647</u>
				<u>\$ 29,844,159</u>	<u>\$ 29,975,624</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, 2016

10. LONG-TERM DEBT, Continued

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

2017		\$ 262,236
2018		526,835
2019		2,153,454
2020		220,152
2021		863,835
Thereafter		15,642,334
Equity gap loans		2,202,235
Cash flowcontingent payments		7,973,078
		\$ 29,844,159

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.

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, 2016 and 2015.

11. BOARD DESIGNATED NET ASSETS

Board designated net assets as of June 30, 2016 and 2015 totaled \$603,476 and are cash reserves being held for future use.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows at June 30, 2016 and 2015:

	2016	2015
Community Economic Development	\$ 190,299	\$ 221,704
Youth and Family Support	50,879	77,700
Homeownership support	377,567	5,593
Portfolio Preservation Plan	90,795	150,000
Other purpose restriction	21,013	4,000
Total temporarily restricted net assets	\$ 730,553	\$ 458,997

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

13. RETIREMENT PLAN

Effective June 1, 2005, the Organization established a tax-deferred retirement plan pursuant to Section 404(c) of the Internal Revenue Code. The Organization may match 100% of the employees' deferral up to one percent of the employees' salary. Contributions to the plan for the years ended June 30, 2016 and 2015 totaled approximately \$11,200 and \$8,100, respectively.

14. RELATED PARTY TRANSACTIONS

See Note 8 regarding investments in Limited Partnerships and Limited Liability Companies.

Los Jardines Limited Partnership

The Organization received \$75,000 in 2014 and an additional \$25,000 in 2016 for developer fees, all of which were paid in 2016. The Organization accrues an annual management fee increasing 4% annually (approximately \$8,200 for 2015-2016). LJLP owed the Organization approximately \$66,700 and \$71,700 at June 30, 2016 and 2015, respectively for these fees (Note 5). At June 30, 2016 and 2015, other amounts due from LJLP, as reported in Note 5, approximated \$729,600 and \$132,400, respectively.

Villas De Mariposas Limited Partnership

In connection with the original development of the property, the Organization charged \$643,000 in developer's fees. Approximately \$180,200 of those fees remained unpaid at June 30, 2016 and 2015 (Note 5). By the terms of the Partnership agreement, 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.

The Organization provides tenant services and asset management for VDM under the VDM partnership agreement. The Organization charges VDM approximately \$22,800 annually for these services. VDM owed the Organization approximately \$64,100 and \$55,700 for these services at June 30, 2016 and 2015, respectively (Note 5). At June 30, 2016 and 2015, other amounts due from VDM approximated \$39,700 and \$43,100, respectively (Note 5).

Clara Vista Townhomes Limited Partnership

During 2005, the Organization charged CVTLP developer fees of \$304,906. CVTLP owed the Organization approximately \$13,700 and \$55,300 for the unpaid balance of this fee at June 30, 2016 and 2015, respectively (Note 5).

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

14. RELATED PARTY TRANSACTIONS, Continued

Clara Vista Townhomes Limited Partnership, Continued

The Organization receives an annual administrative fee from CVTLP increasing 3% annually (approximately \$26,500 for 2016). CVTLP owed the Organization approximately \$247,500 and \$220,200 for these services at June 30, 2016 and 2015, respectively (Note 5). At June 30, 2016 and 2015, other amounts due from CVTLP, as reported in Note 5, approximated \$321,900.

Miraflores Development Limited Partnership

The Organization accrues an annual administration fee increasing 3% annually (approximately \$11,800 for 2016). Administration fees owing to the Organization approximate \$18,100 and \$21,900 at June 30, 2016 and 2015, respectively (Note 5).

Accrued Interest

Interest income earned on notes receivable from related parties totaled approximately \$55,600 for each of the years ended June 30, 2016 and 2015. Accrued interest receivable on these notes totaled approximately \$358,100 and \$314,000 at June 30, 2016 and 2015, respectively (Note 5).

Other

The Organization maintains cash accounts and has an outstanding loan with financial institutions of which Board members are employed. Total balances at those banks were approximately \$2,473,000 and \$4,963,100 at June 30, 2016 and 2015, respectively, and the outstanding loan balances were approximately \$1,005,500 and \$1,026,000 at June 30, 2016 and 2015, respectively.

15. 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 \$1,886,700 and \$4,255,000 at June 30, 2016 and 2015, respectively.

For the year ended June 30, 2016, approximately 13% of total revenue was from three entities (17% from three entities for 2015). In addition, receivables disclosed in Note 4 are concentrated with approximately 52% from three funding sources and 48% from two funding sources at June 30, 2016 and 2015, respectively.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

16. 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 CDC 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 CDC 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:

- 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, 2016

16. 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, 2016, the Organization was in compliance. This amount is included in restricted cash in the accompanying consolidated statement of financial position.

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 10), 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.

17. LEASE COMMITMENTS

The Organization leases office space under several operating lease agreements in the previous year and monthly rent was approximately \$10,300. In addition, the Organization leases equipment under several operating leases with monthly payments approximating \$1,700 ending at various times through October 2020. Total rent expense approximated \$50,400 and \$153,500 for the years ended June 30, 2016 and 2015, respectively.

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

June 30, 2017	\$ 18,000
2018	14,700
2019	11,700
2020	6,000
2021	1,500
	<u>\$ 51,900</u>

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
June 30, 2016

18. 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):

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (630,438)	\$ 474,555
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	997,217	755,969
Loss on disposal of property	30,712	-
Pass-through income from limited partnerships	(64,244)	(1,823)
(Increase) decrease in:		
Grants and accounts receivable	96,450	150,492
Prepaid expenses	42,862	(75,597)
Increase (decrease) in:		
Accounts payable and accrued expenses	(838,141)	791,099
Deferred revenue	28,946	(100,374)
Net cash provided by (used in) operating activities	\$ (336,636)	\$ 1,994,321

CONSOLIDATING INFORMATION

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE I
CONSOLIDATING BALANCE SHEET
June 30, 2016

Hacienda Community Development Corporation					
	Core Activities	Ortiz Center	Plaza de Cedros	Plaza los Robles	Casa de Alma
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,083,605	\$ 44,273	\$ 26,483	\$ 79,185	\$ -
Grants and accounts receivable	617,398	-	-	-	-
Prepaid expenses	39,691	900	1,450	2,368	-
Total current assets	<u>2,740,694</u>	<u>45,173</u>	<u>27,933</u>	<u>81,553</u>	<u>-</u>
Receivable from related parties	1,492,477	(4,038)	256	(71)	-
Restricted cash	8,136	\$ 64,521	55,459	223,111	-
Security deposits	-	-	5,615	15,960	-
Loan costs, net	5,998	3,950	-	-	-
Loan receivable	-	-	-	-	-
Other receivables	78,973	-	-	-	-
Property and equipment, net	899,886	1,092,771	566,151	4,299,088	179,753
Long-term ground lease	-	-	-	-	-
Investments in limited partnerships	<u>7,848,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 13,074,972</u>	<u>\$ 1,202,377</u>	<u>\$ 655,414</u>	<u>\$ 4,619,641</u>	<u>\$ 179,753</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued expenses	\$ 189,587	\$ 5,125	\$ 4,499	\$ 24,505	\$ -
Accrued interest	833	2,424	1,071	-	-
Deferred revenue	34,784	-	-	-	-
Current portion of long-term debt	26,815	21,546	13,377	30,702	-
Total current liabilities	<u>252,019</u>	<u>29,095</u>	<u>18,947</u>	<u>55,207</u>	<u>-</u>
Security deposit liability	630	-	5,614	15,960	-
Deferred revenue, ground lease	876,159	-	-	-	-
Long-term debt, less current portion	<u>4,655,462</u>	<u>733,986</u>	<u>593,880</u>	<u>1,175,296</u>	<u>-</u>
Total liabilities	<u>5,784,270</u>	<u>763,081</u>	<u>618,441</u>	<u>1,246,463</u>	<u>-</u>
Net assets (deficit):					
Unrestricted:					
Undesignated	7,439,638	102,057	(190,108)	280,087	-
Board designated	603,476	-	-	-	-
Net property and equipment	<u>(1,482,965)</u>	<u>337,239</u>	<u>227,081</u>	<u>3,093,091</u>	<u>179,753</u>
Total unrestricted	6,560,149	439,296	36,973	3,373,178	179,753
Temporarily restricted	730,553	-	-	-	-
Total net assets (deficit)	<u>7,290,702</u>	<u>439,296</u>	<u>36,973</u>	<u>3,373,178</u>	<u>179,753</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,074,972</u>	<u>\$ 1,202,377</u>	<u>\$ 655,414</u>	<u>\$ 4,619,641</u>	<u>\$ 179,753</u>

See independent auditor's report.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE I
CONSOLIDATING BALANCE SHEET
June 30, 2016

<u>Villa de Clara Vista</u>	<u>Villa de Sueños</u>	<u>Vista de Rosas</u>	<u>Hacienda QALICB</u>	<u>Portland Mercado</u>	<u>Comunidad Viva</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
\$ 123,890	\$ 49,398	\$ 62,661	\$ 75,229	\$ 25,406	\$ 82,976	\$ -	\$ 2,653,106
6,221	4,369	487	7,380	3,676	-	(3,000)	636,531
12,588	4,311	3,083	5,000	5,468	-	-	74,859
<u>142,699</u>	<u>58,078</u>	<u>66,231</u>	<u>87,609</u>	<u>34,550</u>	<u>82,976</u>	<u>(3,000)</u>	<u>3,364,496</u>
-	-	(103)	1,732,368	949,666	(2,288)	(1,667,933)	2,500,334
370,382	161,654	112,513	418,333	6,001	-	-	1,420,110
38,479	9,906	8,355	-	14,640	-	-	92,955
19,375	34,537	-	929,834	-	-	-	993,694
-	-	-	-	-	5,685,715	-	5,685,715
-	-	-	-	-	-	-	78,973
2,223,138	2,476,129	3,603,971	6,852,113	-	-	(1,318,174)	20,874,826
-	-	-	876,159	-	-	(876,159)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,944</u>	<u>(7,285,495)</u>	<u>584,257</u>
<u>\$ 2,794,073</u>	<u>\$ 2,740,304</u>	<u>\$ 3,790,967</u>	<u>\$ 10,896,416</u>	<u>\$ 1,004,857</u>	<u>\$ 5,787,347</u>	<u>\$ (11,150,761)</u>	<u>\$ 35,595,360</u>
\$ 67,088	\$ 159,783	\$ 108,665	\$ 355	\$ 11,304	\$ -	\$ (324,487)	\$ 246,424
11,280	66,905	-	-	-	-	(61,194)	21,319
-	-	-	-	-	-	-	34,784
<u>76,186</u>	<u>69,425</u>	<u>12,664</u>	<u>-</u>	<u>11,521</u>	<u>-</u>	<u>-</u>	<u>262,236</u>
154,554	296,113	121,329	355	22,825	-	(385,681)	564,763
36,607	9,906	8,355	1,200	14,610	-	-	92,882
-	-	-	-	-	-	(876,159)	-
<u>7,217,530</u>	<u>3,632,683</u>	<u>2,428,662</u>	<u>9,700,000</u>	<u>878,896</u>	<u>-</u>	<u>(1,434,472)</u>	<u>29,581,923</u>
<u>7,408,691</u>	<u>3,938,702</u>	<u>2,558,346</u>	<u>9,701,555</u>	<u>916,331</u>	<u>-</u>	<u>(2,696,312)</u>	<u>30,239,568</u>
455,959	(312,289)	69,976	4,042,748	88,526	5,787,347	(8,454,449)	9,309,492
-	-	-	-	-	-	-	603,476
<u>(5,070,577)</u>	<u>(886,109)</u>	<u>1,162,645</u>	<u>(2,847,887)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,287,729)</u>
(4,614,618)	(1,198,398)	1,232,621	1,194,861	88,526	5,787,347	(8,454,449)	4,625,239
-	-	-	-	-	-	-	730,553
<u>(4,614,618)</u>	<u>(1,198,398)</u>	<u>1,232,621</u>	<u>1,194,861</u>	<u>88,526</u>	<u>5,787,347</u>	<u>(8,454,449)</u>	<u>5,355,792</u>
<u>\$ 2,794,073</u>	<u>\$ 2,740,304</u>	<u>\$ 3,790,967</u>	<u>\$ 10,896,416</u>	<u>\$ 1,004,857</u>	<u>\$ 5,787,347</u>	<u>\$ (11,150,761)</u>	<u>\$ 35,595,360</u>

See independent auditor's report.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE II
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

Hacienda Community Development Corporation					
	Core Activities	Ortiz Center	Plaza de Cedros	Plaza los Robles	Casa de Alma
Revenue and support:					
Private gifts, grants and contracts	1,017,542	\$ -	\$ -	\$ -	\$ -
Government grants and contracts	1,425,540	-	-	-	-
In-kind contributions	8,600	-	-	-	-
Service revenue	434,971	-	-	-	-
Rental income	15,009	197,896	75,664	219,328	-
Developer fees	140,856	-	-	-	-
Interest income	61,675	117	45	65	-
Other income	79,913	(1,376)	1,300	13,704	-
Intercompany transfer of revenue	(2,872,960)	-	-	-	-
Total revenue and support	311,146	196,637	77,009	233,097	-
Expenses:					
Program services	2,581,543	187,483	74,945	295,468	11,205
Intercompany transfer of expense	(2,013,328)	-	-	-	-
Management and general	567,392	-	1,600	93	-
Fundraising	32,542	-	-	-	-
Total expenses	1,168,149	187,483	76,545	295,561	11,205
Change in net assets	(857,003)	9,154	464	(62,464)	(11,205)
Net assets (deficit) - beginning of year	8,084,115	430,142	36,509	3,435,642	190,958
Equity transfer	63,590	-	-	-	-
Net assets (deficit) - end of year	<u>\$ 7,290,702</u>	<u>\$ 439,296</u>	<u>\$ 36,973</u>	<u>\$ 3,373,178</u>	<u>\$ 179,753</u>

See independent auditor's report.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
SCHEDULE II
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

Villa de Clara Vista	Villa de Sueños	Vista de Rosas	Hacienda QALICB	Portland Mercado	Comunidad Viva	Eliminating Entries	Consolidated Total
\$ -	\$ -	\$ 4,540	\$ -	\$ 27,624	\$ -	\$ -	\$ 1,049,706
-	-	-	-	-	-	-	1,425,540
-	-	-	-	40,266	-	-	48,866
-	-	-	-	23,073	-	(203,461)	254,583
861,771	306,359	212,161	55,664	91,249	-	(90,976)	1,944,125
-	-	-	-	-	-	(115,856)	25,000
62	28	34	-	-	81,971	(3,480)	140,517
31,574	7,300	(20,471)	(2,157)	161,177	-	(32,541)	238,423
-	-	-	2,757,104	-	-	115,856	-
<u>893,407</u>	<u>313,687</u>	<u>196,264</u>	<u>2,810,611</u>	<u>343,389</u>	<u>81,971</u>	<u>(330,458)</u>	<u>5,126,760</u>
958,374	356,143	281,720	417,594	303,321	-	(316,863)	5,150,933
-	-	-	1,897,472	-	-	115,856	-
-	-	-	-	2,350	2,288	-	573,723
-	-	-	-	-	-	-	32,542
<u>958,374</u>	<u>356,143</u>	<u>281,720</u>	<u>2,315,066</u>	<u>305,671</u>	<u>2,288</u>	<u>(201,007)</u>	<u>5,757,198</u>
(64,967)	(42,456)	(85,456)	495,545	37,718	79,683	(129,451)	(630,438)
(4,549,651)	(1,155,942)	1,368,077	753,562	10,152	5,757,664	(8,374,998)	5,986,230
-	-	(50,000)	(54,246)	40,656	(50,000)	50,000	-
<u>\$ (4,614,618)</u>	<u>\$ (1,198,398)</u>	<u>\$ 1,232,621</u>	<u>\$ 1,194,861</u>	<u>\$ 88,526</u>	<u>\$ 5,787,347</u>	<u>\$ (8,454,449)</u>	<u>\$ 5,355,792</u>

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