HACIENDA

COMMUNITY DEVELOPMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For the Years Ended June 30, 2018 and 2017

Jones & Roth

CPAs & Business Advisors

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
For the Years Ended June 30, 2018 and 2017

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JonesRoth
CPAs & Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hacienda Community Development Corporation
Portland, Oregon

We have audited the accompanying consolidated financial statements of Hacienda Community Development Corporation (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2018, 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. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hacienda Community Development Corporation as of June 30, 2018, and the 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.

Prior Period Financial Statements

The financial statements of Hacienda Community Development Corporation as of June 30, 2017, were audited by other auditors whose report dated November 28, 2017, expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for 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 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 14, 2018 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.

Jones & Roth, P.C.

Jones & Roth, P.C.
Hillsboro, Oregon
December 14, 2018

CONSOLIDATED FINANCIAL STATEMENTS

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 2,435,613	$ 3,028,863
Grants and accounts receivable	475,872	1,238,707
Prepaid expenses	61,524	99,011
Total current assets	2,973,009	4,366,581
Receivable from related parties	1,476,498	1,540,543
Restricted cash	1,524,355	1,478,518
Security deposits	119,321	120,061
Intangible assets, net	807,353	864,180
Loan receivable	5,685,715	5,685,715
Other receivables	-	38,317
Property and equipment, net	27,931,768	25,187,480
Investments in limited partnerships	411,707	461,850
Total assets	$ 40,929,726	$ 39,743,245

	2018	2017
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 282,178	$ 788,117
Accrued interest	47,462	24,861
Deferred revenue	65,308	209,801
Current portion of long-term debt	365,670	596,189
Total current liabilities	760,618	1,618,968
Non-current liabilities		
Security deposit liability	122,168	126,161
Long-term debt, net of current portion and unamortized debt issuance costs	33,586,932	30,414,463
Total non-current liabilities	33,709,100	30,540,624
Total liabilities	34,469,718	32,159,592
Net assets		
Unrestricted:		
Undesignated	5,560,066	6,265,411
Board-designated	603,647	603,647
Total unrestricted	6,163,713	6,869,058
Temporarily restricted	296,295	714,595
Total net assets	6,460,008	7,583,653
Total liabilities and net assets	$ 40,929,726	$ 39,743,245

The accompanying notes are an integral part of these consolidated statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2018 and 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Private gifts, grants, and contracts	$ 371,039	$ 301,873	$ 672,912
Government grants and contracts	1,558,317	-	1,558,317
In-kind contributions	32,350	-	32,350
Service revenue	232,837	-	232,837
Rental income	2,747,344	-	2,747,344
Interest income	112,557	-	112,557
Loss on disposal of assets	(162,945)	-	(162,945)
Other income	169,504	-	169,504
Net assets released from restrictions:			
Satisfaction of purpose restrictions	720,173	(720,173)	-
Total revenue and support	5,781,176	(418,300)	5,362,876
Expenses			
Program services	5,691,086	-	5,691,086
Management and general	724,025	-	724,025
Fundraising	71,410	-	71,410
Total expenses	6,486,521	-	6,486,521
Change in net assets	(705,345)	(418,300)	(1,123,645)
Net assets, beginning of year	6,869,058	714,595	7,583,653
Net assets, end of year	$ 6,163,713	$ 296,295	$ 6,460,008

2017		
Unrestricted	Temporarily Restricted	Total
$ 246,955	$ 598,100	$ 845,055
4,780,791	-	4,780,791
45,100	-	45,100
222,847	-	222,847
2,276,814	-	2,276,814
126,147	-	126,147
-	-	-
207,255	-	207,255
614,058	(614,058)	-
8,519,967	(15,958)	8,504,009
5,487,680	-	5,487,680
690,448	-	690,448
98,020	-	98,020
6,276,148	-	6,276,148
2,243,819	(15,958)	2,227,861
4,625,239	730,553	5,355,792
$ 6,869,058	$ 714,595	$ 7,583,653

The accompanying notes are an integral part of these consolidated statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Services									
	Housing Development	Home Ownership Support	Community Economic Development	Youth and Family Support	Asset Management	Financial Capabilities	Total Program Services	Management and General	Fundraising	Total Expenses
Payroll and related expenses:										
Salaries and wages	$ 120,726	$ 293,093	$ 273,561	$ 479,461	$ 95,545	$ 115,496	$ 1,377,882	$ 305,788	$ 48,785	$ 1,732,455
Benefits and taxes	22,680	79,132	64,759	133,937	21,652	25,344	347,504	77,468	10,183	435,155
Total payroll and related expenses	143,406	372,225	338,320	613,398	117,197	140,840	1,725,386	383,256	58,968	2,167,610
Program supplies	380	9,323	11,217	29,906	208,904	10,388	270,118	13,918	2,730	286,766
Direct assistance	-	37,055	-	22,487	627	106	60,275	106	-	60,381
Travel and related	188	5,201	5,549	13,366	1,075	781	26,160	10,599	20	36,779
Management fees	-	-	11,732	-	193,021	-	204,753	-	-	204,753
Marketing and outreach	6,950	13,199	11,244	3,715	5,420	797	41,325	15,830	891	58,046
Office supplies and expense	1,437	9,511	10,952	10,883	36,305	1,930	71,018	15,758	635	87,411
Computer supplies and support	670	4,687	2,567	6,586	6,165	1,324	21,999	8,643	596	31,238
Staff development	655	3,363	2,551	7,207	1,169	6,561	21,506	2,167	31	23,704
Professional fees	1,410	2,140	74,539	10,335	52,047	467	140,938	88,830	1,445	231,213
Rent and utilities	31,786	26,746	204,399	41,470	443,297	4,519	752,217	19,165	1,715	773,097
Insurance	5,842	6,055	10,139	9,160	57,166	1,511	89,873	9,144	447	99,464
Repairs and maintenance	7,964	15,847	106,175	25,184	479,510	2,870	637,550	12,676	3,932	654,158
Depreciation and amortization	-	-	71,469	-	1,043,781	-	1,115,250	16,388	-	1,131,638
Interest	5,000	-	15,268	-	486,192	-	506,460	123,299	-	629,759
Miscellaneous	-	-	205	-	6,053	-	6,258	4,246	-	10,504
Total expenses	$ 205,688	$ 505,352	$ 876,326	$ 793,697	$ 3,137,929	$ 172,094	$ 5,691,086	$ 724,025	$ 71,410	$ 6,486,521

The accompanying notes are an integral part of these consolidated statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services									
	Housing Development	Home Ownership Support	Community Economic Development	Youth and Family Support	Asset Management	Financial Capabilities	Total Program Services	Management and General	Fundraising	Total Expenses
Payroll and related expenses:										
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
Benefits and taxes	11,110	119,944	63,658	140,001	21,605	24,286	380,604	66,025	10,470	457,099
Total payroll and related expenses	66,168	559,184	342,198	644,838	113,881	135,077	1,861,346	347,848	62,996	2,272,190
Program supplies	303	11,827	15,769	41,946	187,188	3,139	260,172	4,086	7,921	272,179
Direct assistance	-	78,854	5,061	28,718	162	-	112,795	-	-	112,795
Travel and related	670	10,915	7,797	7,910	997	4,769	33,058	11,803	332	45,193
Management fees	-	-	443	-	167,681	-	168,124	-	-	168,124
Marketing and outreach	164	20,626	22,893	1,182	3,434	175	48,474	1,416	3,070	52,960
Office supplies and expense	1,091	7,711	41,054	14,495	34,753	1,327	100,431	14,577	2,053	117,061
Computer supplies and support	523	5,071	3,593	4,971	6,406	6,287	26,851	12,119	1,193	40,163
Staff development	1,080	2,468	5,252	8,907	2,208	1,390	21,305	13,248	1,679	36,232
Professional fees	3,070	3,666	36,723	9,747	49,212	209	102,627	99,496	6,223	208,346
Rent and utilities	4,456	30,297	175,989	37,354	315,282	6,430	569,808	17,512	2,626	589,946
Insurance	1,009	8,051	9,026	9,608	49,788	1,524	79,006	8,801	687	88,494
Repairs and maintenance	2,548	18,366	62,128	21,829	440,837	3,584	549,292	10,260	9,240	568,792
Depreciation and amortization	-	-	75,392	-	999,691	-	1,075,083	29,653	-	1,104,736
Interest	5,000	-	14,461	-	449,001	-	468,462	118,670	-	587,132
Miscellaneous	4,325	-	3,251	-	3,270	-	10,846	959	-	11,805
Total expenses	$ 90,407	$ 757,036	$ 821,030	$ 831,505	$ 2,823,791	$ 163,911	$ 5,487,680	$ 690,448	$ 98,020	$ 6,276,148

The accompanying notes are an integral part of these consolidated statements.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Cash receipts:		
Private gifts, grants, and contracts	$ 658,607	$ 824,281
Government grants and contracts	2,190,964	3,027,195
Service receipts	181,991	222,847
Rental income	2,747,344	2,272,623
Interest income	84,727	84,177
Other income	219,547	173,174
Total cash receipts	6,083,180	6,604,297
Cash disbursements:		
Payroll and related expenses	2,166,505	2,276,442
Interest expense	607,158	496,042
Other operating expenses	2,937,961	1,830,661
Total cash disbursements	5,711,624	4,603,145
Net cash provided by operating activities	371,556	2,001,152
Cash flows from investing activities		
Acquisition of property and equipment	(3,982,044)	(1,698,957)
Acquisition of equity interest	100	98,451
Proceeds from (utilization of) restricted cash	(45,837)	102,788
Receipts on related party receivables	142,721	123,445
Net cash used by investing activities	(3,885,060)	(1,374,273)
Cash flows from financing activities		
Additions to net loan fees	(39,637)	-
Proceeds from long-term debt	4,031,251	21,626
Principal payments on long-term debt	(1,071,360)	(272,748)
Net cash provided (used) by financing activities	2,920,254	(251,122)
Net increase (decrease) in cash and cash equivalents	(593,250)	375,757
Cash and cash equivalents, beginning of year	3,028,863	2,653,106
Cash and cash equivalents, end of year	$ 2,435,613	$ 3,028,863

The accompanying notes are an integral part of these consolidated statements.

1. The Organization

Hacienda Community Development Corporation (Hacienda or the Organization) is an Oregon nonprofit 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 1,400 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.

1. The Organization, continued

Summary of Programs, 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 one-on-one to assist them in making the best financial choices for their household. Their 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 for future prosperity. Client-focused financial coaching, intensive financial education courses, and financial products and resources that meet clients where they are make the community a place everyone can call home.

Hacienda 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 owning a first home. 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, they provide a number of opportunities for down-payment assistance.

The Foreclosure Prevention program provides support to homeowners at risk of foreclosure. This is accomplished by means of a holistic and coaching-based approach in which possible solutions for home retention are identified and explored. Services are free of charge.

1. The Organization, continued

Summary of Programs, continued

Economic Opportunity Program, continued

The Financial Capabilities program is designed to help families and individuals reach their financial goals through an array of services offered by Hacienda. The program takes a client-specific, coaching-based approach which puts the client's needs at the center of their 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. It enables clients to build the necessary financial skills that lead to behavior change, in addition to learning how 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. The 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, in collaboration with other culturally specific community partners, administer all Youth and Family Support programs.

1. The Organization, continued

Summary of Programs, continued

Youth and Family Support Services, continued

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 experienced by Latino and immigrant children by providing support for families with children from birth to age five. Parents participate in biweekly parenting support groups, educational workshops, and biweekly 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)
- Los Jardines II, LLC
- Hacienda QALICB, LLC
- Portland Mercado, LLC
- Comunidad Viva
- HCDC IV, LLC
- Miraflores GP, LLC

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.

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).

Receivables

Receivables 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 any realized 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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 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 or the consolidated statements of activities and cash flows for the years ended June 30, 2018 and 2017.

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 - 40 years
Office furniture and equipment	3 - 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, increased by contributions, and decreased by distributions.

2. Summary of Significant Accounting Policies, continued

Investments in Limited Partnerships, continued

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, 2018 and 2017. 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 $32,350 and $45,100 for the years ended June 30, 2018 and 2017, respectively.

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 Accounting Standards Codification (ASC) Topic 740 *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.

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 $1,524,355 and $1,478,518 at June 30, 2018 and 2017, 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 consisted of the following at June 30:

	2018	2017
Grants and contracts receivable:		
Oregon Housing and Community Services	$ 33,020	$ 504,375
Portland Children's Levy	92,172	94,151
Meyer Memorial Trust	57,650	75,000
Latino Network	29,506	113,368
Harbourton Foundation	50,000	100,000
Other grants and contracts	105,839	262,452
Accounts receivable	107,685	127,678
Total grants, accounts, and other receivables	$ 475,872	$ 1,277,024

5. Receivable from Related Parties

Receivable from related parties consisted of the following at June 30:

Related Party/Security	Monthly Payment	Interest Rate	Maturity Date	2018	2017
Notes receivable: (Note 9)					
Clara Vista Townhomes LP					
Subordinate trust deed on real property	(a)	3.00%	Dec 2045	$ 287,922	$ 287,922
Miraflores Development LP					
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
Total notes receivable				749,301	749,301
Development fees receivable:					
Villas de Mariposas LP (b)				119,685	180,152
Management fees receivable:					
Clara Vista Townhomes LP				304,529	275,586
Miraflores Development LP				19,192	18,633
Villas de Mariposas LP				81,903	72,753
Total management fees receivable				405,624	366,972
Accrued interest:					
Clara Vista Townhomes LP				14,146	45,766
Miraflores Development LP				115,935	122,396
Total accrued interest				130,081	168,162
Other accounts receivable:					
Clara Vista Townhomes LP				33,972	34,323
Villas de Mariposas LP				35,367	39,722
Other				2,468	1,911
Total other accounts receivable				71,807	75,956
Total accounts receivable from related parties				$ 1,476,498	$ 1,540,543

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

(b) 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.

6. Intangible Assets

Intangible assets consisted of the following at June 30:

	2018	2017
Tax credit financing and professional fees	$ 1,060,988	$ 1,047,865
Less accumulated amortization	(253,635)	(183,685)
Intangible assets, net	$ 807,353	$ 864,180

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 percent membership interest in Enhanced Capital New Market Development Fund XVIII, LLC, accrues interest at 1.4417 percent, 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), consisted of the following at June 30:

	2018	2017
Land and land improvements	$ 5,073,201	$ 3,624,462
Building and improvements	31,295,169	28,819,727
Furniture and equipment	887,107	1,163,057
Construction in process	746,423	3,101,622
	38,001,900	36,708,868
Less accumulated depreciation	(10,070,132)	(11,521,388)
Property and equipment, net	$ 27,931,768	$ 25,187,480

At June 30, 2017, estimated costs to complete construction renovations under contract on Los Jardines was $35,000. The project was completed during 2017.

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.

8. Property and Equipment, continued

Casa de Alma

In 2001 Hacienda CDC received a grant from Oregon Housing and Community Services (OHCS) to finance a farmworker housing building in Hood River, Oregon, on property owned by a third party. Hacienda then entered into a ground lease with the landowner which extended through the OHCS compliance period (to 2031). The terms also allowed for the landowner to terminate the ground lease any time after June 2011, whereby the leasehold improvements, including the building, would become the property of the landowner. The landowner exercised this right in January 2018 and assumed all responsibilities for the remainder of the compliance period. Consequently, the net book value of the asset at that time of $162,945 was removed from Hacienda's accounts and has been reported as a loss on disposal of assets in the consolidated statements of activities for June 30, 2018.

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
Direct ownership:					
Villas de Mariposas LP			0.01%	71 units	Multi-family
Living Cully Plaza, LLC [a]			33.33%	N/A	Investment
Indirect ownership:					
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

[a] Until October 1, 2017. See *Living Cully Plaza, LLC*, following.

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 signed a $100,000 guarantee on the loan that was obtained to finance the purchase.

9. Investments in Limited Partnerships and Limited Liability Companies, continued

Living Cully Plaza, LLC, continued

On October 2, 2017, the Organization purchased the real property formerly owned by Living Cully Plaza, LLC, of which the Organization was a 33.33 percent owner. The purchase price of $2,243,229 was financed by a two-year loan from Raza Development Fund, Inc. (RDF). Living Cully Plaza, LLC was also dissolved on October 2, 2017. A loss of approximately $50,000 was recognized with the dissolution of the partnership. Management plans to build an affordable housing development on the property, providing both residential and commercial services to the community. At acquisition, the Organization received additional financing commitments for approximately $600,000, including supplemental funds available from RDF and a grant from a City of Portland agency, all of which was intended for pre-development costs. As of June 30, 2018, $211,000 of the supplemental funds had been invested in the project. It is expected that the project will be completed in 2021.

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).

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, Prosper Portland (formerly 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).

9. Investments in Limited Partnerships and Limited Liability Companies, continued

Miraflores Development Limited Partnership, continued

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

	2018	2017
Villas de Mariposas LP	$ (175)	$ (161)
Clara Vista Townhomes LP	18,695	18,706
Miraflores Development LP	393,187	393,203
Living Cully Plaza, LLC	-	50,102
Total investments in limited partnerships and limited liability companies	$ 411,707	$ 461,850

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, 2017, audited financial statements is as follows:

	Total Assets	Total Liabilities	Net Loss
Villas de Mariposas LP	$ 6,098,359	$ 3,398,558	$ (135,823)
Clara Vista Townhomes LP	5,463,904	3,630,097	(106,928)
Miraflores Development LP	6,252,838	1,627,217	(163,216)

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

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

Summary financial information of Living Cully Plaza, LLC as of June 30, 2017, is as follows. The 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	$ 2,523,400	$ 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 February 1, 2019. The interest rate as of June 30, 2018, was prime (5.0 percent) plus 1.5 percent and a minimum interest rate of 5.0 percent. The interest rate as of June 30, 2017, was prime (4.25 percent) plus 1.5 percent and a minimum interest rate of 4.5 percent. There were no outstanding advances on the line at June 30, 2018 and 2017.

11. Long-term Debt

Long-term debt consists of the following at June 30:

Lender/Property Security	Monthly Payment	Interest Rate	Maturity Date	2018 Loan Balance	2017 Loan Balance
Portland Housing Bureau:					
Los Jardines (equity gap)	(a)	0.00%	Dec 2052	$ 328,949	$ 344,562
Los Jardines	(a)	3.00%	Jan 2033	263,678	263,679
Los Jardines	1,979	2.81%	Mar 2032	327,193	318,293
Plaza de Cedros (equity gap)	(a)	0.00%	Upon sale	234,098	238,187
Miraflores	(a)	0.00%	Dec 2040	373,462	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	85,099	90,670
Villa de Sueños	843	3.00%	Aug 2029	131,485	137,563
Villa de Sueños (equity gap)	(a)	0.00%	Aug 2029	117,901	117,901
Villa de Sueños (equity gap)	(a)	0.00%	None	1,125,000	1,125,000
Villa de Sueños	4,545	4.00%	Jun 2031	557,339	588,895
Villa de Sueños	(a)	0.00%	Jun 2041	716,530	721,308
Vista de Rosas	(a)	0.00%	Mar 2045	1,350,470	1,360,000
Vista de Rosas	5,627	5.00%	Mar 2035	1,076,966	1,090,288
Hacienda Office Building	12,113	5.00%	Sep 2035	2,330,250	2,356,035
Prosper Portland:					
Portland Mercado	(a)	0.00%	May 2025	395,123	400,000
Portland Mercado	2,466	3.25%	May 2025	463,434	477,755
Living Cully Plaza/Las Adelitas	Interest only	3.25%	Sept 2019	274,847	-
Network for Oregon Affordable Housing:					
Plaza de Cedros	2,015	3.75%	Sep 2034	293,830	306,723
Los Jardines	8,527	4.17%	Jan 2033	1,116,644	1,171,167
USDA:					
Plaza Los Robles	1,990	1.00%	Oct 2039	460,271	479,448
Plaza Los Robles	1,228	1.00%	Oct 2039	284,014	295,848
Clackamas County:					
Plaza Los Robles	(a)	0.00%	Upon sale	400,000	400,000
Beneficial State Bank:					
Baltazar Ortiz Center	7,153	4.50%	June 2028	1,278,700	-
Wells Fargo Bank:					
Baltazar Ortiz Center	5,261	5.50%	Apr 2021	-	733,993
Unsecured	Interest only	2.00%	Dec 2017	250,000	250,000
Partnerships of Hope VIII, LLC:					
Hacienda QALICB	(b)	1.00%	Dec 2044	7,063,000	7,063,000
Hacienda QALICB	(c)	1.00%	Dec 2044	2,637,000	2,637,000

11. Long-term Debt, continued

Lender/Property Security	Monthly Payment	Interest Rate	Maturity Date	2018 Loan Balance	2017 Loan Balance
Key Bank National Association:					
Villa de Sueños	2,610	3.49%	Sep 2019	289,704	310,365
Villa de Sueños	2,976	7.29%	Sep 2019	274,818	289,604
Raza Development Fund, Inc.:					
Villa de Clara Vista[d]	16,798	6.50%	Jul 2018[d]	1,941,479	2,014,268
Living Cully Plaza/Las Adelitas	Interest only	6.00%	Oct 2019	2,477,704	-
Other loans	126	3.00%	Feb 2034	18,035	18,996
				34,050,419	31,090,529
Unamortized debt issuance costs				(97,817)	(79,877)
Total long-term debt				$ 33,952,602	$ 31,010,652

	2018	2017
Current portion	$ 365,670	$ 596,189
Long-term portion	33,684,749	30,494,340
Unamortized debt issuance costs	(97,817)	(79,877)
Total long-term debt, net of current portion and unamortized debt issuance costs	$ 33,952,602	$ 31,010,652

[a] Repayment based upon excess cash flow.
[b] Quarterly interest only payments through December 2021; thereafter quarterly principal and interest of $86,034.
[c] Quarterly interest only payments through December 2021; thereafter quarterly principal and interest of $32,121.
[d] Agreement was refinanced in July 2018. Term was extended to July 30, 2023.

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.

Scheduled future principal payments on long-term debt are summarized below:

Year Ending June 30,	
2019	$ 365,670
2020	3,622,271
2021	358,022
2022	436,569
2023	515,940
Thereafter	20,512,749
Cash flow contingent payments	8,239,198
Total	$ 34,050,419

Included in the future principal payments thereafter in the schedule above are $2,179,410 and $2,202,235 of equity-gap loans at June 30, 2018 and 2017, respectively.

11. Long-term Debt, continued

Loan Covenants

The Organization maintains debt agreements with several financial institutions that have varying debt covenants. Management believes that the Organization was in compliance with all covenants and reserve requirements at June 30, 2018 and 2017.

12. Board-designated Net Assets

Board-designated net assets as of June 30, 2018 and 2017, totaled $603,647, 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:

	2018	2017
Community economic development	$ 79,859	$ 264,956
Youth and family support	19,835	70,333
Homeownership support	173,771	262,534
Portfolio preservation plan	-	36,524
Other purpose restriction	22,830	80,248
Total temporarily restricted net assets	$ 296,295	$ 714,595

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 2 percent for the years ended June 30, 2018 and 2017. Contributions to the plan for the years ended June 30, 2018 and 2017, totaled approximately $24,000.

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 related parties.

15. Related Party Transactions, continued

The table below summarizes revenues earned for the year ended June 30, 2018:

	Resident Services Fees	Asset Management Fees	Interest Income	Developer Fees and Other Misc.	Total
Clara Vista Townhomes LP	$ 21,954	$ 28,943	$ 8,638	$ 4,259	$ 63,794
Miraflores Development LP	7,749	12,857	19,192	-	39,798
Villas de Mariposas LP	15,875	9,045	-	-	24,920
	$ 45,578	$ 50,845	$ 27,830	$ 4,259	$ 128,512

The table below summarizes revenues earned for the year ended June 30, 2017:

	Resident Services Fees	Asset Management Fees	Interest Income	Developer Fees and Other Misc.	Total
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
	$ 49,128	$ 53,608	$ 41,970	$ 4,191	$ 148,897

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 $647,000 and $1,376,000 at June 30, 2018 and 2017, respectively, and the outstanding loan balances were approximately $250,000 and $984,000 at June 30, 2018 and 2017, respectively.

16. Assignment of Partnership Interest

Effective December 31, 2016, the limited partner in Los Jardines de la Paz, LP (LJLP) assigned its entire 99.9 percent limited partnership interest to Los Jardines II, LLC, a wholly-owned subsidiary of the Organization, in exchange for $1. Hacienda continues as the General Partner in LJLP and, as a result of the assignment, holds a 100 percent 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.

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
Assets			
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	5,505,388	(1,847,980)	3,657,408
Total assets	$ 5,800,384	$ (1,847,980)	$ 3,952,404
Liabilities and Net Assets			
Accounts payable and accrued expense	$ 64,575	$ -	$ 64,575
Payable to affiliated organizations	2,281,652	-	2,281,652
Long-term debt	1,500,145	-	1,500,145
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	106,031	-	106,031
Total net assets	1,954,012	(1,847,980)	106,032
Total liabilities and net assets	$ 5,800,384	$ (1,847,980)	$ 3,952,404

17. Concentrations and Credit Risk

The Organization maintains its cash balances in several financial institutions located in Portland, Oregon. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation 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 $1,317,700 and $1,782,000 at June 30, 2018 and 2017, respectively.

There were no significant revenue concentrations for the year ended June 30, 2018. For the year ended June 30, 2017, approximately 36 percent of total revenue was from one governmental entity. Receivables disclosed in Note 4 are concentrated with approximately 42 percent from three funding sources and 56 percent from three funding sources at June 30, 2018 and 2017, respectively.

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.

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, 2018 and 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 percent-owned subsidiary, Hacienda QALICB LLC, entered into two notes payable (Note 11), 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 ending at various times through March 2023. Total rent expense related to these leases approximated $19,200 and $25,000 for the years ended June 30, 2018 and 2017, respectively. The Organization also has in-kind rent for use of facilities, for which they recognized in-kind rent expense of approximately $40,700 for the years ended June 30, 2018 and 2017.

Total future minimum lease payments are as follows:

Year Ending June 30,		
2019	$	13,296
2020		12,972
2021		12,000
2022		12,000
2023		9,000
Thereafter		-
Total	$	59,268

20. Supplemental Cash Flow Information

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

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (1,123,645)	$ 2,227,861
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,131,638	1,104,736
Amortization of debt issuance costs (included in interest expense)	21,696	(12,904)
Loss on disposal of property	162,945	-
Pass-through income from limited partnerships	50,043	16,376
(Increase) decrease in:		
Grants, accounts, and related party receivables	722,476	(2,005,351)
Prepaid expenses	38,227	(18,521)
Increase (decrease) in:		
Accounts payable and accrued expenses	(487,331)	513,938
Deferred revenue	(144,493)	175,017
Net cash provided by operating activities	$ 371,556	$ 2,001,152

21. Subsequent Events

Management evaluates events and transactions that occur after the consolidated balance sheet date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor’s report.

SUPPLEMENTAL INFORMATION

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2018

	Hacienda Community Development Corporation					
	Core Activities	Ortiz Center	Plaza de Cedros	Plaza los Robles	Casa de Alma	Villa de Clara Vista
Assets						
Current assets						
Cash and cash equivalents	$ 1,374,765	$ 85,860	$ 24,796	$ 24,578	$ -	$ 403,194
Grants and accounts receivable	425,461	-	882	216	-	3,872
Prepaid expenses, current	19,898	906	1,542	2,934	-	14,002
Total current assets	1,820,124	86,766	27,220	27,728	-	421,068
Receivable from related parties	3,521,088	14,678	-	-	-	-
Restricted cash	12,389	74,354	58,622	300,558	-	318,928
Security deposits	-	-	5,614	16,977	-	36,349
Intangible assets, net	-	13,123	-	-	-	-
Loan receivable	-	-	-	-	-	-
Property and equipment, net	4,094,299	1,562,283	511,464	4,054,419	-	1,794,322
Long-term ground lease	-	-	-	-	-	-
Investments in limited partnerships	7,782,290	-	-	-	-	-
Total assets	$ 17,230,190	$ 1,751,204	$ 602,920	$ 4,399,682	$ -	$ 2,570,667
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	$ 174,988	$ 7,320	$ 14,136	$ 27,448	$ -	$ 48,371
Accrued interest	23,676	2,423	959	646	-	10,911
Deferred revenue	65,308	-	-	-	-	-
Current portion of long-term debt	29,508	28,076	14,377	31,322	-	85,418
Total current liabilities	293,480	37,819	29,472	59,416	-	144,700
Non-current liabilities						
Security deposit liability	1,409	-	5,614	16,977	-	36,348
Deferred revenue, ground lease	846,141	-	-	-	-	-
Long-term debt, net of current portion and unamortized debt issuance costs	7,307,723	1,237,837	553,643	1,112,963	-	7,053,782
Total non-current liabilities	8,155,273	1,237,837	559,257	1,129,940	-	7,090,130
Total liabilities	8,448,753	1,275,656	588,729	1,189,356	-	7,234,830
Net assets (deficit)						
Unrestricted:						
Undesignated	7,881,495	475,548	14,191	3,210,326	-	(4,664,163)
Board-designated	603,647	-	-	-	-	-
Total unrestricted	8,485,142	475,548	14,191	3,210,326	-	(4,664,163)
Temporarily restricted	296,295	-	-	-	-	-
Total net assets (deficit)	8,781,437	475,548	14,191	3,210,326	-	(4,664,163)
Total liabilities and net assets	$ 17,230,190	$ 1,751,204	$ 602,920	$ 4,399,682	$ -	$ 2,570,667

Villa de Sueños	Vista de Rosas	Hacienda QALICB	Portland Mercado	Communidad Viva	Los Jardines de la Paz	Eliminating Entries	Consolidated Total
$ 108,811	$ 84,173	$ 72,478	$ 14,457	$ 85,462	$ 157,039	$ -	$ 2,435,613
1,523	436	10,219	33,263	-	-	-	475,872
5,163	3,108	5,001	1,223	-	7,747	-	61,524
115,497	87,717	87,698	48,943	85,462	164,786	-	2,973,009
-	-	2,698,522	920,087	-	-	(5,677,877)	1,476,498
184,502	132,244	249,583	18,008	-	175,167	-	1,524,355
10,787	8,355	-	13,363	-	27,876	-	119,321
-	-	794,230	-	-	-	-	807,353
-	-	-	-	5,685,715	-	-	5,685,715
2,205,441	3,379,143	6,435,920	-	-	5,207,300	(1,312,823)	27,931,768
-	-	846,141	-	-	-	(846,141)	-
-	-	-	-	20,944	-	(7,391,527)	411,707
$ 2,516,227	$ 3,607,459	$ 11,112,094	$ 1,000,401	$ 5,792,121	$ 5,575,129	$ (15,228,368)	$ 40,929,726
$ 165,343	$ 73,250	$ 36	$ 15,649	$ -	$ 54,175	$ (298,538)	$ 282,178
71,886	-	-	-	-	232,908	(295,947)	47,462
-	-	-	-	-	-	-	65,308
76,185	13,993	-	14,705	-	72,086	-	365,670
313,414	87,243	36	30,354	-	359,169	(594,485)	760,618
10,787	8,355	1,440	13,363	-	27,875	-	122,168
-	-	-	-	-	-	(846,141)	-
3,445,316	2,413,443	9,693,876	843,852	-	5,157,889	(5,233,392)	33,586,932
3,456,103	2,421,798	9,695,316	857,215	-	5,185,764	(6,079,533)	33,709,100
3,769,517	2,509,041	9,695,352	887,569	-	5,544,933	(6,674,018)	34,469,718
(1,253,290)	1,098,418	1,416,742	112,832	5,792,121	30,196	(8,554,350)	5,560,066
-	-	-	-	-	-	-	603,647
(1,253,290)	1,098,418	1,416,742	112,832	5,792,121	30,196	(8,554,350)	6,163,713
-	-	-	-	-	-	-	296,295
(1,253,290)	1,098,418	1,416,742	112,832	5,792,121	30,196	(8,554,350)	6,460,008
$ 2,516,227	$ 3,607,459	$ 11,112,094	$ 1,000,401	$ 5,792,121	$ 5,575,129	$ (15,228,368)	$ 40,929,726

HACIENDA COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Hacienda Community Development Corporation					
	Core Activities	Ortiz Center	Plaza de Cedros	Plaza los Robles	Casa de Alma	Villa de Clara Vista
Revenue and support						
Private gifts, grants, and contracts	$ 723,280	$ -	$ -	$ -	$ -	$ -
Government grants and contracts	1,555,817	-	-	-	-	-
In-kind contributions	32,350	-	-	-	-	-
Service revenue	421,849	-	-	-	-	-
Rental income	34,622	201,405	78,372	219,435	-	1,006,347
Interest income	96,047	117	44	162	-	98
Loss on disposal of assets	-	-	-	-	(162,945)	-
Other income (loss)	(38,527)	-	580	15,988	-	28,044
Intercompany transfer of revenue	(2,014,678)	-	-	-	-	-
Total revenue and support	810,760	201,522	78,996	235,585	(162,945)	1,034,489
Expenses						
Program services	564,659	179,871	96,981	331,119	5,603	1,010,943
Management and general	714,100	-	-	-	-	-
Fundraising	71,410	-	-	-	-	-
Total expenses	1,350,169	179,871	96,981	331,119	5,603	1,010,943
Change in net assets	(539,409)	21,651	(17,985)	(95,534)	(168,548)	23,546
Net assets, beginning of year	9,361,502	453,897	32,176	3,305,860	168,548	(4,687,709)
Equity transfer	(40,656)	-	-	-	-	-
Net assets, end of year	$ 8,781,437	$ 475,548	$ 14,191	$ 3,210,326	$ -	$ (4,664,163)

Villa de Sueños	Vista de Rosas	Hacienda QALICB	Portland Mercado	Comunidad Viva	Los Jardines de la Paz	Eliminating Entries	Consolidated Total
$ -	$ -	$ -	$ 29,267	$ 365	$ -	$ (80,000)	$ 672,912
-	-	-	2,500	-	-	-	1,558,317
-	-	-	-	-	-	-	32,350
-	-	-	1,251	-	-	(190,263)	232,837
360,915	245,782	92,657	88,627	-	531,288	(112,106)	2,747,344
47	36	-	5	81,971	132	(66,102)	112,557
-	-	-	-	-	-	-	(162,945)
9,605	5,193	3,721	155,079	-	9,956	(20,135)	169,504
-	-	2,014,678	-	-	-	-	-
370,567	251,011	2,111,056	276,729	82,336	541,376	(468,606)	5,362,876
403,609	305,476	2,283,524	327,997	-	573,356	(392,052)	5,691,086
-	-	8,200	-	81,725	-	(80,000)	724,025
-	-	-	-	-	-	-	71,410
403,609	305,476	2,291,724	327,997	81,725	573,356	(472,052)	6,486,521
(33,042)	(54,465)	(180,668)	(51,268)	611	(31,980)	3,446	(1,123,645)
(1,220,248)	1,152,883	1,597,410	123,444	5,791,510	62,176	(8,557,796)	7,583,653
-	-	-	40,656	-	-	-	-
$ (1,253,290)	$ 1,098,418	$ 1,416,742	$ 112,832	$ 5,792,121	$ 30,196	$ (8,554,350)	$ 6,460,008

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Finance Committee and Board of Directors
Hacienda Community Development Corporation
Portland, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Hacienda Community Development Corporation (a nonprofit organization), which comprise the consolidated balance sheet as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hacienda Community Development Corporation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones & Roth, P.C.

Jones & Roth, P.C.
Hillsboro, Oregon
December 14, 2018