

IMAGINE HOUSING AND AFFILIATES

Consolidated Financial Statements
and Supplementary Information
for the Year Ended December 31, 2014
(With Comparative Totals for 2013)
and Independent Auditors' Reports

IMAGINE HOUSING AND AFFILIATES
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For the Year Ended December 31, 2014

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WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Imagine Housing and Affiliates
Kirkland, Washington

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Imagine Housing and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2014, 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.

Auditors' 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 amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Imagine Housing and Affiliates as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Imagine Housing and Affiliates' 2013 consolidated financial statements, and our report dated May 19, 2014, expressed an unmodified audit opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 28 to 33 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 May 27, 2015, on our consideration of Imagine Housing and Affiliates' 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 Imagine Housing and Affiliates' internal control over financial reporting and compliance.

Watson & McDermott, PLLC

May 27, 2015

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position
December 31, 2014
(With Comparative Totals for 2013)

ASSETS

	2014	2013
Current assets:		
Cash and cash equivalents	\$ 917,783	\$ 1,152,865
Security deposits	54,405	54,774
Tenant and subsidy receivables	14,355	15,662
Grants and contributions receivable	386,074	223,588
Due from limited partnerships and limited liability companies	782,047	112,025
Prepaid expenses and deposits	71,197	64,616
	2,225,861	1,623,530
Other assets:		
Board-designated reserves	944,834	943,715
Restricted deposits	917,380	785,515
Construction cash	119,087	80,709
Investment in limited partnerships and limited liability companies	422,237	422,335
Grants and contributions receivable	227,770	283,594
Due from limited partnerships and limited liability companies	1,585,243	1,448,182
Construction in progress	435,055	537,831
Financing costs, net	295,855	273,960
Intangible assets	30,000	30,000
	4,977,461	4,805,841
Buildings and equipment:		
Land	7,628,672	7,628,672
Land improvements	489,012	467,429
Buildings	24,026,484	23,505,455
Furnishings and equipment	606,096	567,630
Leasehold improvements	6,992	6,992
Less: accumulated depreciation	(6,477,776)	(5,801,523)
Less: contra-property account	(313,948)	(281,964)
	25,965,532	26,092,691
	\$ 33,168,854	\$ 32,522,062

The accompanying notes should be read with these financial statements.

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position, Continued
December 31, 2014
(With Comparative Totals for 2013)

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
Current liabilities:		
Accrued expenses	\$ 117,415	\$ 137,177
Construction costs payable	1,702	19,446
Refundable advance	40,081	29,399
Due to limited partnerships and limited liability companies	18,394	19,706
Tenant deposits and prepaid rent	55,517	69,421
Accrued interest payable	170,532	131,116
Current portion of long-term debt	<u>1,315,276</u>	<u>472,810</u>
	<u>1,718,917</u>	<u>879,075</u>
Long-term debt:		
Notes payable	21,149,491	22,016,581
Forgivable debt	<u>1,220,137</u>	<u>1,220,137</u>
	<u>22,369,628</u>	<u>23,236,718</u>
	<u>24,088,545</u>	<u>24,115,793</u>
Net assets:		
Unrestricted net assets		
Unrestricted	6,912,600	6,704,998
Board-designated	<u>944,834</u>	<u>943,715</u>
	7,857,434	7,648,713
Temporarily restricted net assets	<u>1,222,875</u>	<u>757,556</u>
	<u>9,080,309</u>	<u>8,406,269</u>
	<u>\$ 33,168,854</u>	<u>\$ 32,522,062</u>

The accompanying notes should be read with these financial statements.

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Activities
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
Support and revenue:				
Special event revenue (not including \$368,411 and \$337,197, respectively, of contributions reported below)	\$ 54,900		\$ 54,900	\$ 56,250
Less: cost of direct benefits to donors	<u>(40,175)</u>		<u>(40,175)</u>	<u>(34,275)</u>
	14,725		14,725	21,975
Grants	909,863	\$ 82,568	992,431	657,054
Contributions	582,012		582,012	583,452
Rental income, net	2,136,436		2,136,436	1,631,568
Management fees	131,228		131,228	131,080
Development fees	891,094		891,094	300,000
Laundry and miscellaneous tenant fees	34,428		34,428	19,730
Interest income	2,850		2,850	5,459
Gain (loss) on investments in limited partnerships and limited liability companies	(88)		(88)	(77)
Other	33,578		33,578	8,577
Net assets released from restriction	<u>40,640</u>	<u>(40,640)</u>	<u> </u>	<u> </u>
	<u>4,776,766</u>	<u>41,928</u>	<u>4,818,694</u>	<u>3,358,818</u>
Expenses:				
Program services:				
Asset management	2,637,291		2,637,291	1,968,489
Housing development	588,149		588,149	332,238
Supportive services	554,955		554,955	530,551
Administration	351,874		351,874	309,914
Fund development	<u>448,034</u>		<u>448,034</u>	<u>426,687</u>
	<u>4,580,303</u>		<u>4,580,303</u>	<u>3,567,879</u>
Excess (deficiency) of operating support and revenue over expenses	196,463	41,928	238,391	(209,061)
Other income:				
Capital grants and contributions	<u>12,258</u>	<u>423,391</u>	<u>435,649</u>	<u>135,878</u>
Change in net assets	208,721	465,319	674,040	(73,183)
Net assets, beginning of year	<u>7,648,713</u>	<u>757,556</u>	<u>8,406,269</u>	<u>8,479,452</u>
Net assets, end of year	<u>\$ 7,857,434</u>	<u>\$ 1,222,875</u>	<u>\$ 9,080,309</u>	<u>\$ 8,406,269</u>

The accompanying notes should be read with these financial statements.

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	<u>Asset Management</u>	<u>Housing Development</u>	<u>Supportive Services</u>	<u>Total Program</u>	<u>Administration</u>	<u>Fund Development</u>	<u>Total 2014</u>	<u>Total 2013</u>
Salaries and wages	\$ 98,634	\$ 194,760	\$ 342,377	\$ 635,771	\$ 232,105	\$ 195,748	\$ 1,063,624	\$ 1,035,394
Building staff	242,392			242,392			242,392	175,311
Payroll taxes and benefits	87,727	37,706	75,663	201,096	47,059	40,974	289,129	270,123
Advertising	735	669		1,404		6,968	8,372	7,136
Bad debt	11,593			11,593		25,416	37,009	11,802
Building supplies	83,087			83,087			83,087	50,150
Housing allowance								305
Insurance	36,437	1,739	6,345	44,521	2,895	2,773	50,189	43,282
Interest	386,743			386,743			386,743	206,056
Travel	2,363	1,820	8,219	12,402	825	1,688	14,915	14,537
Office supplies and services	115,216	12,289	21,087	148,592	25,860	65,166	239,618	173,086
Miscellaneous expenses					175		175	120
Taxes and fees	12,581	14,116	3,819	30,516	333	12,343	43,192	30,612
Tenant screening and services	2,327			2,327			2,327	1,408
Tenant relations	1,080			1,080			1,080	1,600
Training	5,177	3,326	8,267	16,770	7,207	8,067	32,044	28,461
Professional services	68,390	3,703	7,960	80,053	6,385	70,593	157,031	183,573
Case management services			75,100	75,100			75,100	55,274
Property management fees	109,235			109,235			109,235	83,865
Property taxes	7,256			7,256			7,256	568
Rent	10,506	12,873	6,118	29,497	21,412	18,298	69,207	69,839
Repairs and maintenance	151,314			151,314			151,314	94,207
Rental assistance	72,848			72,848			72,848	75,840
Utilities	445,609			445,609			445,609	341,924
Development expense		265,148		265,148			265,148	3,624
Grant refund expense		40,000		40,000			40,000	
Amortization	9,576			9,576			9,576	9,543
Depreciation	<u>676,465</u>			<u>676,465</u>	<u>7,618</u>		<u>684,083</u>	<u>600,239</u>
Total expenses	<u>\$ 2,637,291</u>	<u>\$ 588,149</u>	<u>\$ 554,955</u>	<u>\$ 3,780,395</u>	<u>\$ 351,874</u>	<u>\$ 448,034</u>	<u>\$ 4,580,303</u>	<u>\$ 3,567,879</u>

The accompanying notes should be read with these financial statements.

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 674,040	\$ (73,183)
Adjustments:		
Depreciation and amortization	693,659	609,782
Loss (gain) on investments	88	77
Other income - amortization of contra-property account	(8,070)	(7,486)
Grants and contributions restricted for long-term purposes	(435,649)	(135,878)
Developer fees earned, not received, related party	(215,422)	
Write off of predevelopment costs	258,296	
Decrease (increase) in operating assets:		
Security deposits	369	412
Tenant and subsidy receivables	1,307	950
Grants and contributions receivable	(112,697)	102,121
Due from limited partnerships and limited liability companies	(671,208)	8,170
Prepaid expenses and deposits	(6,581)	(2,063)
Increase (decrease) in operating liabilities:		
Accrued expenses	(19,762)	(37,381)
Refundable advance	10,682	29,399
Due to limited partnerships and limited liability companies	(1,312)	1,144
Tenant deposits and prepaid rent	(13,904)	8,970
Accrued interest payable	39,416	36,692
	193,252	541,726
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land and land improvements	(21,583)	
Purchase of building	(480,975)	(132,303)
Purchase of furnishings, equipment and vehicles	(46,296)	(22,077)
Financing costs	(31,471)	
Construction in progress	(153,818)	(273,869)
Transfer of construction in progress to related party		499,836
Deferred developer fee and notes receivable - related party	79,547	299,583
Investment in partnerships and limited liability companies, net	10	(67,280)
Acquisition of Highland Gardens		64,157
Deposits to construction cash	(266,049)	(293,719)
Withdrawals from construction cash	227,671	295,044
Deposits to restricted deposits	(711,700)	(89,290)
Withdrawals from restricted deposits	579,835	145,255
Deposits to reserves	(178,078)	(444,877)
Withdrawals from reserves	176,959	
	(825,948)	(19,540)

The accompanying notes should be read with these financial statements.

IMAGINE HOUSING AND AFFILIATES
 Consolidated Statement of Cash Flows, Continued
 For the Year Ended December 31, 2014
 (With Comparative Totals for 2013)

	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES:		
Grants and contributions restricted for long-term purposes	\$ 441,684	
Construction costs payable	(19,446)	\$ (38,567)
Payments on long-term debt	(1,679,396)	(973,908)
Proceeds from long-term debt	<u>1,654,772</u>	<u>551,856</u>
	<u>397,614</u>	<u>(460,619)</u>
Net increase (decrease) in cash	(235,082)	61,567
Cash and cash equivalents, beginning of year	<u>1,152,865</u>	<u>1,091,298</u>
Cash and cash equivalents, end of year	<u>\$ 917,783</u>	<u>\$ 1,152,865</u>

The accompanying notes should be read with these financial statements.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 1 - NATURE OF THE ORGANIZATION

Imagine Housing and Affiliates (the Organization), formerly St. Andrew's Housing Group and Affiliates, is a Washington 501(c)(3) nonprofit corporation formed in 1987 to provide and support low-income housing. The name of the organization was changed and filed with the Secretary of State for the State of Washington on April 26, 2011. A volunteer board of up to 25 members governs the Organization.

The Organization develops, owns, maintains and manages residential property, which provides low-income housing and other related supportive services. At December 31, 2014, it managed 13 residential apartment buildings, having ownership of seven and partial ownership of six others through limited partnerships and limited liability companies. These buildings provide 485 units of low-income housing in Bellevue, Kirkland, Mercer Island, Redmond and Issaquah, Washington. In May 2012, the Organization purchased land with the intent of developing Totem Lake Phase II, a proposed 76-unit affordable housing development located in Kirkland, Washington. Funding was received through public and private sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These financial statements consolidate the statements of Imagine Housing, Red Vines 1, Ruby LLC, Roots I LLC, Imagine Gardens LLC, RV Manager LLC, and South KTOD Development LLC. The limited liability companies consolidated in these statements are either single member limited liability corporations or otherwise controlled by Imagine Housing or Red Vines 1. Red Vines 1 is a 501(c)(3) nonprofit Community Housing Development Organization. Imagine Housing has effective control over Red Vines 1; two-thirds of the members of the board of Red Vines 1 are also members of the board of Imagine Housing, and Imagine Housing has approval authority over appointment of all Red Vines 1 board members. Inter-organization and affiliated organization accounts and transactions have been eliminated in the consolidation.

The Organization has investments in various partnerships and companies which are accounted for by the equity method (Note 8).

Basis of financial presentation

In accordance with generally accepted accounting principles, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets at December 31, 2014 or 2013.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Restricted and unrestricted revenue and support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments with current maturities of three months or less to be cash equivalents.

Receivables and allowance for doubtful accounts

Tenant, subsidy and grants receivables are presented in the statement of financial position net of estimated uncollectible amounts. The Organization records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. Tenant and subsidy receivables of \$14,355 and \$19,147 were due to the Organization at December 31, 2014 and 2013, respectively. No allowance for doubtful accounts was considered necessary at December 31, 2014. The allowance for doubtful accounts was \$3,485 at December 31, 2013.

Fixed assets and depreciation

Land, land improvements, buildings, furnishings and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Interest costs incurred during the construction period are capitalized and added to the cost of the building. Interest costs of \$120,750 and \$127,625 were capitalized during 2014 and 2013, respectively. Depreciation has been computed on the straight-line basis for furnishings and equipment over 5 to 10 years, for vehicles and leasehold improvements over 3 years, for land improvements over 15 years, and for buildings and improvements over 40 years.

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment losses were recognized in 2014 or 2013.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financing costs and amortization

Financing costs are amortized over the term of the notes payable using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Accumulated amortization was \$111,835 and \$102,259 at December 31, 2014 and 2013, respectively.

Donated property, equipment and services

Donations of property and equipment 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.

Contra-property account

Development fees earned by one entity in service to another consolidated entity are eliminated against current year applicable expenses. Any remainder is due to differences in timing and the difference between total expenses and total revenue of the applicable project over the development period. The Organization recognizes the remainder through a contra account to fixed assets, which is amortized on a straight-line basis over the life of the related assets. At December 31, 2014 and 2013, accumulated amortization of the contra-property account was \$25,537 and \$17,467, respectively.

Intangible assets

Intangible assets consist of transferable development rights owned by the Organization. These assets have an indefinite life and are non-amortizing.

Tax-exempt status

Imagine Housing and Red Vines 1 are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. They have been classified as organizations that are not private foundations within the meaning of Section 509(a) because they are organizations of the type described in Section 509(a)(2).

Ruby LLC, Roots I LLC, South KTOD Development LLC, Imagine Gardens LLC, and RV Manager LLC are single member limited liability companies. Imagine Housing is the sole member of Ruby LLC, Roots I LLC, South KTOD Development LLC and Imagine Gardens LLC. Red Vines 1 is the sole member of RV Manager LLC. Ruby LLC, Roots I LLC, South KTOD Development LLC, Imagine Gardens LLC, and RV Manager LLC are disregarded entities for tax purposes.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Tax-exempt status, continued

The Organization's income tax filings are subject to examination by various taxing authorities. The Organization's open examination periods are 2011 and thereafter.

The Organization has evaluated its tax positions and concluded that it has taken no uncertain tax positions that would require adjustment to the financial statements. In addition, the Organization is not aware of any matters that would cause the loss of its tax-exempt status.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Use of estimates in the preparation of financial statements

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

Reclassification

Certain amounts from the prior-year financial statements have been reclassified to conform to the current-year presentation.

NOTE 3 - PLEDGES RECEIVABLE RESTRICTED TO CAPITAL CAMPAIGN

In 2012, Imagine Housing launched a five-year major fundraising campaign with total funds raised to be designated towards predevelopment costs to grow its ability to develop more affordable apartment homes, capital improvements to sustain the longevity of its current 13 properties, and expanded supportive services to residents to transform the lives of youth, adults, veterans and seniors. Contributions are recognized as revenue in the period pledges are received. Pledges assigned to predevelopment costs and to capital improvements are classified as capital contributions while those assigned to supportive services are classified as operating contributions on the statement of activities.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 3 - PLEDGES RECEIVABLE RESTRICTED TO CAPITAL CAMPAIGN,
CONTINUED

Pledges, both restricted and unrestricted, expected to be collected within one year, are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated cash flows, which approximates fair value. The present value of estimated future cash flows has been measured utilizing a discount rate of 0.51 percent to 1.60 percent. Management believes all pledges are fully collectible, and no allowance has been recorded. At December 31, 2014 and 2013, pledges are expected to be realized in the following time frame:

	2014	2013
Less than one year	\$ 155,398	\$ 123,196
One to five years	200,943	291,938
Less present value discount	(8,173)	(8,344)
Net pledges	\$ 348,168	\$ 406,790

NOTE 4 - LEASE COMMITMENTS

Land lease

The Organization entered into a lease/lease back arrangement with King County Housing Opportunity Fund for the property associated with Andrew's Heights. The Organization received \$335,000 for a 35-year lease, which expires on October 3, 2029.

The Organization leased back the property for a term of 35 years ending August 31, 2029. In lieu of lease payments, the Organization must improve the property and perform services outlined in the agreement, consisting primarily of operating the premise as permanent housing for low-income individuals.

Operating lease

The Organization entered into a five-year operating lease on December 1, 2010, for office space in Kirkland, Washington. The lease expires on November 30, 2015, with the option to extend the term of the lease for an additional 36 months. The Organization also entered into a month-to-month lease for storage space located in the garage of the building. Rental expenses under the leases for 2014 and 2013 were \$69,207 and \$69,839, respectively. For 2015, future minimum payments under the lease are \$70,928.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 5 - LONG-TERM DEBT

	2014	2013
<u>Andrew's Heights</u>		
Note payable to City of Bellevue, no interest, payments only to the extent there is residual cash flow as defined in the agreement, principal forgiven at maturity, June 1, 2045, provided the Organization complies with all loan requirements	\$ 200,137	\$ 200,137
Note payable to King County, no interest; principal forgiven at maturity, September 20, 2034, provided the Organization complies with all loan requirements	445,000	445,000
Note payable to State of Washington, interest at 1%, annual payments of \$33,256 until maturity, December 31, 2055	1,118,078	1,140,034
Andrew's Heights' loans are secured by land and building with a carrying value at December 31, 2014, of \$308,727 and \$1,683,271, respectively.		
<u>Terrace Hill Apartments</u>		
Note payable to Washington Community Reinvestment Association, interest at 7.375%, monthly payments of \$2,072 until maturity, July 1, 2029	221,756	229,936
Note payable to King County, no interest, principal due at maturity, April 30, 2049	526,635	526,635
Note payable to State of Washington, interest at 1%, quarterly payments of \$3,199 until maturity, October 30, 2049	375,244	384,231
Note payable to King County, interest at 1% beginning in 2005, annual payments of \$9,680 subject to available cash flow until maturity, April 30, 2049	350,647	350,647
Note payable to City of Redmond, interest at 1% beginning in 2004, annual payments of \$1,838 beginning in 2005 subject to available cash flow until maturity, April 30, 2049; if insufficient cash flow, payment may be deferred and interest for that year forgiven	66,353	66,353

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2014	2013
<u>Terrace Hill Apartments, continued</u>		
Note payable to City of Bellevue, interest at 1% beginning in 2004, annual payments of \$693 beginning in 2005, subject to project cash flow until maturity, April 30, 2049; if insufficient cash flow, payment may be deferred and interest for that year forgiven	\$ 25,000	\$ 25,000
Note payable to State of Washington, no interest, principal forgiven at maturity, October 30, 2049, provided Organization complies with all loan requirements	500,000	500,000
Terrace Hill Apartments' loans are secured by land and building with a carrying value at December 31, 2014, of \$226,319 and \$1,232,116, respectively.		
<u>Kirkland Plaza</u>		
Note payable to bank, interest at 6.75%, monthly payments of \$2,906 until maturity, January 1, 2029	316,415	329,448
Note payable to City of Bellevue, simple interest at 1%, annual payment of \$15,203 subject to project net cash flow, principal due at maturity, June 1, 2049	325,236	325,236
Note payable to City of Kirkland, simple interest at 1%, annual payment of \$7,130 subject to project net cash flow, principal due at maturity, June 1, 2049	152,283	152,283
Note payable to City of Redmond, simple interest at 1%, annual payment of \$1,304 subject to project net cash flow, principal due at maturity, June 1, 2049	27,844	27,844
Note payable to King County, no interest, annual payment of \$14,818 subject to project net cash flow until maturity, June 1, 2034	493,366	493,366

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2014	2013
<u>Kirkland Plaza, continued</u>		
Note payable to State of Washington, interest at 1%, annual payments of \$8,116 until maturity, October 31, 2048	\$ 232,965	\$ 238,695
<p>Kirkland Plaza's loans are secured by land and building with a carrying value at December 31, 2014, of \$593,208 and \$863,649, respectively.</p>		
<u>Ellsworth House</u>		
Note payable to bank, interest at 5.75%, monthly payments of \$15,902 until maturity, October 8, 2029	1,908,236	1,986,870
Note payable to bank, interest at 5.1565%, monthly payments of \$3,406 until maturity, October 8, 2029	423,017	441,556
Note payable to Washington State Housing Trust Fund, interest at 1%, annual payments of \$25,513 until maturity, October 30, 2049	750,289	768,121
Note payable to King County Department of Community and Human Services, no interest, principal due at maturity, September 1, 2049	297,793	297,793
Note payable to King County Department of Community and Human Services, no interest, principal due at maturity, September 1, 2050	417,549	417,549
Note payable to City of Bellevue, interest at 1%, annual payments of \$11,481 subject to project cash flow until maturity, June 1, 2050; if insufficient cash flow, payment may be deferred and interest for that year forgiven	449,138	449,138
Note payable to City of Mercer Island, interest at 1%, annual payments of \$4,210 subject to project cash flow until maturity, June 1, 2050; if insufficient cash flow, payment may be deferred and interest for that year forgiven	164,684	164,684

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2014	2013
<u>Ellsworth House, continued</u>		
Note payable to City of Redmond, interest at 1%, annual payments of \$2,551 subject to project cash flow until maturity, June 1, 2050; if insufficient cash flow, payment may be deferred and interest for that year forgiven	\$ 99,809	\$ 99,809
Note payable to City of Newcastle, interest at 1%, annual payments of \$1,199 subject to project cash flow until maturity, June 1, 2050; if insufficient cash flow, payment may be deferred and interest for that year forgiven	46,910	46,910
Note payable to City of Kirkland, interest at 1%, annual payments of \$638 subject to project cash flow until maturity, June 1, 2050; if insufficient cash flow, payment may be deferred and interest for that year forgiven	24,952	24,952
Ellsworth House's loans are secured by land and building with a carrying value at December 31, 2014, of \$1,046,500 and \$3,038,425, respectively.		
<u>Andrew's Arms Apartments</u>		
Note payable to State of Washington Housing Trust Fund, original amount \$753,375, \$403,375 of original amount bears interest at 0.46%, annual payments of \$8,964 until maturity, December 31, 2042	588,825	596,655
Note payable to King County, no interest, principal due at maturity, December 6, 2030	173,992	173,992
Andrew's Arms' loans are secured by land and building with a carrying value at December 31, 2014, of \$219,531 and \$559,911, respectively.		
<u>Andrew's Glen</u>		
Note payable to King County, no interest, principal due at maturity, June 30, 2061	2,910,889	2,910,889
Note payable to State of Washington Housing Trust Fund, no interest, principal due at maturity, June 30, 2061	2,345,816	2,345,816

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2014	2013
<u>Andrew's Glen, continued</u>		
Note payable to City of Bellevue, no interest; payments deferred until June 15, 2041, then annual payments of \$47,104 from available cash flow; annual repayment may be deferred, at the discretion of the City, for insufficient cash flow; principal due at maturity, June 30, 2061	\$ 883,400	\$ 883,400
Andrew's Glen's loans are secured by land and building with a carrying value at December 31, 2014, of \$1,586,332 and \$8,362,815, respectively.		
<u>Highland Gardens</u>		
Note payable to bank, interest at 9.07%, monthly payments of \$4,534 until maturity, June 1, 2028; note was paid in full May 31, 2014		438,057
Note payable to bank, interest at 4.75%, monthly payments of \$3,944 with remaining balance due at maturity, May 27, 2021	743,151	
Note payable to Washington State Department of Commerce, interest at 1%, annual payments of \$11,076 until maturity, March 31, 2058; an additional \$94,960 was added to the loan in 2011, non-interest bearing, principal due at maturity, March 31, 2058	489,622	496,713
Note payable to Washington State Department of Commerce, interest at 1%, deferred until March 10, 2029, then annual payments of \$19,374 through maturity, March 10, 2058	499,999	499,999
Note payable to King County Home Program, non-interest bearing, principal due at maturity, December 15, 2045	950,000	950,000
Note payable to King County Community Services Divisions, non-interest bearing, principal due at maturity, May 30, 2032	535,000	535,000

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2014	2013
<u>Highland Gardens, continued</u>		
Note payable to King County Housing and Community Development Program, non-interest-bearing, principal due at maturity, June 30, 2017	\$ 148,231	\$ 148,231
Note payable to City of Bellevue, interest at 1%, annual payments are due if net cash flow is greater than 3.5% of annual gross income, otherwise due at maturity in 2057	143,050	143,050
Highland Gardens' loans are secured by land and building with a carrying value at December 31, 2013, of \$858,286 and \$2,891,525, respectively.		
<u>Totem Lake Phase II</u>		
Note payable to Impact Capital, in the original amount of \$1,516,810; interest at 6% paid monthly, principal due at maturity, May 31, 2014, subject to extension in the sole discretion of the lender, extension granted through May 15, 2015	669,258	1,395,686
Note payable to King County, interest at 3% accrues annually, principal due at maturity, May 31, 2015, subject to extension in the sole discretion of the lender; extension granted through December 30, 2016	1,999,600	1,184,000
Note payable to Inland Totem Lake, LLC, interest at 1% accrues beginning May 15, 2013, principal due at maturity, May 31, 2015, subject to extension in the sole discretion of the lender	400,000	400,000
Totem Lake Phase II's loans are secured by land with a carrying value at December 31, 2014, of \$2,789,768.		
<u>Other debt</u>		
Note payable to bank, no interest, principal due at maturity, September 12, 2057; invested in Imagine Gardens LLC	229,449	229,449
Note payable to City of Issaquah, no interest, principal due September 10, 2017; the Organization loaned this amount to St. Andrew's Limited Partnership with identical terms	15,286	15,286

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2014	2013
<u>Other debt, continued</u>		
Note payable to Impact Capital, in the original amount of \$350,000, of which \$231,078 had been drawn at December 31, 2013; interest at 6.5%; monthly interest only payments until maturity, April 30, 2015, or full repayment; principal paid in full February 12, 2014	\$ _____	\$ <u>231,078</u>
	23,684,904	23,709,528
Less: current portion	<u>(1,315,276)</u>	<u>(472,810)</u>
	<u>\$22,369,628</u>	<u>\$23,236,718</u>

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 and carry legal restrictions. The restrictions require the Organization to use the property for low-income housing in accordance with the loan agreements.

Future principal payments of long-term debt are as follows:

2015	\$	1,315,276
2016		2,254,736
2017		428,465
2018		275,200
2019		286,019
Forgivable debt		1,220,137
Thereafter		<u>17,905,071</u>
		<u>\$ 23,684,904</u>

NOTE 6 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

On December 31, 2013, the Organization acquired Highland Gardens, a 51-unit residential apartment building. Assets consisting of reserves, land, building, furniture, equipment and improvements were acquired in exchange for the assumption of \$3,408,507 of debt.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 6 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION,
CONTINUED

Non-cash investing and financing activity also included the following:

	<u>2014</u>	<u>2013</u>
Land, building, furniture, equipment and improvements financed with construction costs payable	<u>\$ 1,702</u>	
Construction in progress financed with construction costs payable		<u>\$ 19,446</u>

During 2014 and 2013, cash paid for interest, net of amounts capitalized, was \$243,493 and \$206,683, respectively.

NOTE 7 - RESTRICTED DEPOSITS

Restricted deposits consist of cash and cash equivalents as follows at December 31,:

	<u>2014</u>	<u>2013</u>
Operating reserve	\$ 184,643	\$ 326,063
Replacement reserve	363,699	459,452
Donor-restricted cash	<u>369,038</u>	
	<u>\$ 917,380</u>	<u>\$ 785,515</u>

The Organization is required by various loan and grant agreements to maintain operating and replacement reserves. Donor-restricted cash represents contributions received restricted for capital assets, including predevelopment and property improvements.

NOTE 8 - INVESTMENTS ACCOUNTED FOR BY EQUITY METHOD

Imagine Housing and Affiliates are a general partner or managing member with a 0.01% interest in limited partnerships (LP) and limited liability companies (LLC) which are operating, constructing or rehabilitating multifamily housing properties. The limited partners and investor members of these LPs and LLCs have substantive participating rights in operations and therefore consolidation of these entities is not warranted. The Organization accounts for its interests in these limited partnerships and limited liability companies using the equity method. Under the equity method, the investment is initially recorded at cost and is subsequently increased by the Organization's proportional share of net income and decreased by the proportional share of net loss. The total net income or loss from investments in these entities is reported as a single line item on these financial statements.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 8 - INVESTMENTS ACCOUNTED FOR BY EQUITY METHOD, CONTINUED

The Organization's ownership interest in these investments at December 31 are as follows:

<u>Affiliate</u>	<u>Partnership/Limited Liability Company</u>	<u>2014</u>	<u>2013</u>
Imagine Housing	East Village LLC	\$ 202,064	\$ 202,051
	Chalet Apartments LLC	159,774	159,780
RV Manager LLC	KTOD LLC	1,044	1,085
Ruby LLC	Mine Hill Limited Partnership	19,500	19,510
	280 Clark Limited Partnership	39,967	39,983
	Totem Lake Phase I LLC	(112)	(84)
South KTOD Development LLC	Kirkland Park & Ride, L.L.C.		10*
Total investment in LPs and LLCs		<u>\$ 422,237</u>	<u>\$ 422,335</u>

*South KTOD Development LLC had a 1.0% limited member interest in Kirkland Park & Ride, L.L.C. at December 31, 2013. During 2014, a capital distribution of \$10 was received, so South KTOD Development LLC no longer had an interest in the LLC at December 31, 2014.

Financial information about these investments as of December 31, is summarized as follows:

	<u>2014</u>	<u>2013</u>
Total assets	\$ 54,847,667	\$ 40,258,494
Total liabilities	39,311,940	25,409,380
Operating revenue	2,316,156	2,149,748
Net income before depreciation and amortization	53,003	303,881

The significant change in the summarized financial information from 2013 to 2014 is attributable to the investment in KTOD LLC. During 2014, construction of the LLC's apartment building was completed and it was placed in service.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 9 - RELATED PARTY TRANSACTIONS

Revenue earned from limited partnerships and limited liability companies is as follows:

	<u>2014</u>	<u>2013</u>
Development fees	\$ 891,094	\$ 300,000
Company management fees	15,000	
Case management fees	91,210	96,133
Portfolio management fees	18,192	26,626
Contract administration fees	9,460	8,320
	<u>\$ 1,024,956</u>	<u>\$ 431,079</u>

Receivables from limited partnerships and limited liability companies as of December 31, are as follows:

	<u>2014</u>	<u>2013</u>
Development fees	\$ 1,598,555	\$ 779,319
Note receivable including interest	409,139	409,139
Operating deficit advance	285,000	325,000
Company management fees	15,000	
Case management fees	27,810	10,500
Reimbursable development costs	30,509	33,438
Reimbursable operating costs	1,277	2,811
	<u>\$ 2,367,290</u>	<u>\$ 1,560,207</u>

In addition, during 2014 and 2013, the Organization incurred rental assistance expense to a limited partnership of \$72,848 and \$75,929, respectively. At December 31, 2014 and 2013, \$18,394 and \$19,706, respectively, remained payable to the limited partnership.

NOTE 10 - HOUSING ASSISTANCE PAYMENT CONTRACTS

Kirkland Plaza

The Organization entered into a five-year contract, beginning July 21, 2009, with the U.S. Department of Housing and Urban Development (HUD) to receive housing assistance payments from HUD on behalf of qualified tenants of Kirkland Plaza. Housing assistance payments totaling \$192,429 and \$182,339 were received in 2014 and 2013, respectively. The contract renewed effective July 21, 2014, for another five-year term.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 10 - HOUSING ASSISTANCE PAYMENT CONTRACTS, CONTINUED

Ellsworth House

The Organization entered into a contract with the U.S. Department of Housing and Urban Development (HUD) to receive housing assistance payments from HUD on behalf of qualified tenants of Ellsworth House. Housing assistance payments totaling \$486,263 and \$484,376 were received in 2014 and 2013, respectively. The current five-year contract expired on January 31, 2015. The contract renewed for another five-year term effective February 1, 2015.

NOTE 11 - MANAGEMENT FEE CALCULATION

Kirkland Plaza

Effective October 1, 2011, the Organization entered into a contract with a third party management company to manage Kirkland Plaza in compliance with HUD regulations. Per the current agreement, the fee for management services is calculated based on 4.99 percent of residential income collected. Changes in the fee will be implemented only in accordance with HUD's requirements and with HUD's approval. Management fees totaling \$12,720 and \$12,291 were paid in 2014 and 2013, respectively.

Ellsworth House

Effective January 24, 2012, the Organization entered into a month-to-month contract with a third party management company to manage Ellsworth House in compliance with HUD regulations. Per the current agreement, the fee for management services is calculated based on 5.40 percent of residential income collected. Changes in the fee will be implemented only in accordance with HUD's requirements and with HUD's approval. Management fees totaling \$32,675 and \$32,214 were paid in 2014 and 2013, respectively.

NOTE 12 - PENSION PLAN

Imagine Housing has established a qualified defined-contribution pension plan covering all eligible employees. The Organization matches employees' voluntary contributions up to three percent of gross salary. The Organization may also make additional contributions at its discretion. Employer discretionary and matching contributions are subject to a vesting schedule based on years of service. Employees are fully vested after five years of service. The Organization's contribution to the plan totaled \$22,551 and \$18,603 in 2014 and 2013, respectively.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Organization has a general partnership interest in three low-income housing limited partnerships; St. Andrew's Limited Partnership, Mine Hill Limited Partnership, and 280 Clark Limited Partnership; and a managing member interest in four low-income housing limited liability companies; East Village LLC, Chalet Apartments LLC, Totem Lake Phase I LLC, and KTOD LLC. In addition to the general partner and managing member liabilities, the Organization executed sponsor guarantee agreements assuring against operating deficits, reduced tax benefits, and construction completion.

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Organization. The amounts, if any, of expenditures, which may be disallowed by the grantor, are recorded at the time that such amounts can be reasonably determined, normally upon notification of the government agency. During the years ended December 31, 2014 and 2013, no such adjustments were made.

NOTE 14 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash at several financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014 and 2013, the uninsured cash balances totaled \$1,160,334 and \$1,021,081, respectively. The Organization has not experienced any losses in such accounts.

NOTE 15 - RESTRICTIONS/LIMITATIONS ON NET ASSETS

Unrestricted, board-designated net assets

The Organization's board of directors has chosen to place the following limitations on unrestricted net assets:

	2014	2013
Operating reserves	\$ 517,590	\$ 706,086
Replacement reserves	427,244	237,629
	\$ 944,834	\$ 943,715

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 15 - RESTRICTIONS/LIMITATIONS ON NET ASSETS, CONTINUED

Temporarily restricted net assets

Temporarily restricted net assets are available for the following purpose or periods:

	<u>2014</u>	<u>2013</u>
Capitalized assets	\$ 637,752	\$ 311,622
Supportive services	186,919	104,889
Asset management - capital improvements	63,204	6,045
Land lease, Note 4	<u>335,000</u>	<u>335,000</u>
	<u>\$ 1,222,875</u>	<u>\$ 757,556</u>

NOTE 16 - CONSTRUCTION IN PROGRESS

At December 31, 2014 and 2013, the construction in progress account consisted of the following projects and their related costs:

	<u>2014</u>	<u>2013</u>
Totem Lake Phase II	\$ 422,797	\$ 281,341
Snoqualmie Ridge		256,490
St. Luke's	<u>12,258</u>	
	<u>\$ 435,055</u>	<u>\$ 537,831</u>

NOTE 17 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 27, 2015, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or additional disclosure.

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position Data
December 31, 2014

ASSETS

Current assets:

1120	Cash - operations	\$ 917,783
1121	Cash - construction	<u>119,087</u>
1130	Tenant receivable	<u>4,527</u>
1130N	Net tenant receivable	<u>4,527</u>
1135	Accounts receivable - HUD	<u>9,828</u>
1140	Accounts receivable - operations	<u>386,074</u>
1145	Accounts receivable - entity	<u>782,047</u>
1200	Prepaid expenses and deposits	<u>71,197</u>
1100T	Total current assets	<u>2,290,543</u>
1191	Tenant deposits held in trust	<u>54,405</u>
1330	Other reserves - operating and board-designated	<u>1,862,214</u>
1300T	Total reserve deposits	<u>1,862,214</u>

Buildings and equipment:

1410	Land	8,117,684
1420	Buildings	24,026,484
1460	Furnishings	516,164
1465	Office furniture and equipment	89,932
1490	Leasehold improvements	6,992
1490	Contra-property account	<u>(313,948)</u>
1400T	Total fixed assets	32,443,308
1495	Accumulated depreciation	<u>(6,477,776)</u>
1400N	Net fixed assets	<u>25,965,532</u>

Other assets:

1515	Investments - entity	422,237
1520	Deferred financing costs, net	295,855
1590	Due from limited partnerships and limited liability companies	1,585,243
1590	Construction in progress	435,055
1590	Miscellaneous other assets	<u>257,770</u>
1500T	Total other assets	<u>2,996,160</u>
1000T	Total assets	<u>\$ 33,168,854</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position Data, Continued
December 31, 2014

LIABILITES AND NET ASSETS

Current liabilities:

2110	Accounts payable - operations	\$	135,577
2111	Accounts payable - construction/development		1,702
2113	Accounts payable - entity		18,394
2120	Accrued wages payable		21,919
2131	Accrued interest payable		130,961
2170	Mortgages payable - short term		1,315,276
2210	Prepaid rent		<u>3,196</u>
2122T	Total current liabilities		<u>1,627,025</u>
2191	Tenant deposits held in trust		<u>52,321</u>

Long-term liabilities:

2320	Mortgages or notes payable		22,369,628
2330	Interest on loans or notes payable (long term)		<u>39,571</u>
2300T	Total long term liabilities		<u>22,409,199</u>
2000T	Total liabilities		<u>24,088,545</u>

Net assets:

3131	Unrestricted		7,857,434
3132	Temporarily restricted		<u>1,222,875</u>
3130	Total net assets		<u>9,080,309</u>
2033T	Total liabilities and net assets	\$	<u><u>33,168,854</u></u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Activities Data and Net Assets
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue:			
5120 Rent revenue - gross potential	\$ 1,295,842		\$ 1,295,842
5121 Tenant assistance payments	<u>871,076</u>		<u>871,076</u>
5100T Total rent revenue	<u>2,166,918</u>		<u>2,166,918</u>
5220 Vacancy	(30,324)		(30,324)
5250 Rental concessions	<u>(158)</u>		<u>(158)</u>
5200T Total vacancies	<u>(30,482)</u>		<u>(30,482)</u>
5152N Net rental revenue	<u>2,136,436</u>		<u>2,136,436</u>
5410 Financial revenue - project operations	<u>2,850</u>		<u>2,850</u>
5400T Total financial revenue	<u>2,850</u>		<u>2,850</u>
5910 Laundry and vending revenue	21,057		21,057
5920 Tenant charges	13,371		13,371
5970 Gifts and contributions	1,491,875	\$ 82,568	1,574,443
5960 Expiration of gift donor restrictions	40,640	(40,640)	
5990 Miscellaneous	<u>1,070,537</u>		<u>1,070,537</u>
5900T Total other revenue	<u>2,637,480</u>	<u>41,928</u>	<u>2,679,408</u>
5000T Total revenue	<u>4,776,766</u>	<u>41,928</u>	<u>4,818,694</u>
Expenses:			
6210 Advertising & marketing	8,372		8,372
6250 Other renting expense	3,407		3,407
6310 Office salaries	1,063,624		1,063,624
6311 Office expenses	239,618		239,618
6320 Property management fee	109,235		109,235
6330 Manager salaries	160,900		160,900
6340 Legal expense - project	17,655		17,655
6350 Audit expense	51,208		51,208
6370 Bad debts	37,009		37,009
6390 Miscellaneous administrative expense	<u>149,249</u>		<u>149,249</u>
6263T Total administrative expenses	<u>1,840,277</u>		<u>1,840,277</u>
6450 Electricity	109,894		109,894
6451 Water	84,854		84,854
6452 Gas	4,039		4,039
6453 Sewer	<u>169,769</u>		<u>169,769</u>
6400T Total utilities expense	<u>368,556</u>		<u>368,556</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Activities Data and Net Assets, Continued
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Expenses, Continued:			
6510 Maintenance payroll	\$ 81,492		\$ 81,492
6515 Supplies (janitor)	83,087		83,087
6520 Contracts (repairs & maintenance)	138,174		138,174
6525 Garbage and trash removal	77,053		77,053
6530 Security payroll/contract	13,140		13,140
6500T Total operating and maintenance expense	<u>392,946</u>		<u>392,946</u>
6710 Property taxes	7,256		7,256
6711 Payroll taxes (projects share)	110,012		110,012
6720 Property and liability insurance (hazard)	50,189		50,189
6722 Workmen's compensation	16,718		16,718
6723 Health insurance and other employee benefits	162,399		162,399
6790 Miscellaneous taxes, licenses, permits and insurance	20,672		20,672
6700T Total taxes and insurance	<u>367,246</u>		<u>367,246</u>
6820 Interest on first mortgage	386,743		386,743
6890 Lease expenses	69,207		69,207
6890 Miscellaneous financial expenses	8,573		8,573
6800T Total financial expenses	<u>464,523</u>		<u>464,523</u>
6000T Total cost of operations before amortization and depreciation	<u>3,433,548</u>		<u>3,433,548</u>
5060T Profit (loss) before depreciation and amortization	1,343,218	\$ 41,928	1,385,146
6600 Depreciation	684,083		684,083
6610 Amortization	9,576		9,576
5060N Operating profit or (loss)	<u>649,559</u>	<u>41,928</u>	<u>691,487</u>
7105 Capital grants and contributions	12,258	423,391	435,649
7190 Other expenses	(453,096)		(453,096)
7100T Net entity expenses	<u>(440,838)</u>	<u>423,391</u>	<u>(17,447)</u>
3250 Change in net assets from operations	208,721	465,319	674,040
S1100-050 Net assets, beginning of year	<u>7,648,713</u>	<u>757,556</u>	<u>8,406,269</u>
3130 Net assets, end of year	<u>\$ 7,857,434</u>	<u>\$ 1,222,875</u>	<u>\$ 9,080,309</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Cash Flows Data
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
S1200-010	Rental receipts	\$ 2,124,576
S1200-020	Interest receipts	2,850
S1200-025	Gifts	1,470,906
S1200-030	Other operating receipts	<u>205,889</u>
S1200-040	Total receipts	<u>3,804,221</u>
S1200-050	Administrative expenditures	(504,061)
S1200-070	Management fees	(114,445)
S1200-090	Utilities	(365,608)
S1200-100	Salaries and wages	(1,304,263)
S1200-110	Operating and maintenance	(323,256)
S1200-115	Lease payments	(74,926)
S1200-120	Real estate taxes	(7,256)
S1200-140	Property insurance	(48,245)
S1200-150	Miscellaneous taxes and insurance	(314,060)
S1200-160	Tenant security deposits	(368)
S1200-170	Other operating expenses	(8,573)
S1200-180	Interest on mortgages payable	(347,327)
S1200-225	Entity disbursements	<u>(198,581)</u>
S1200-230	Total disbursements	<u>(3,610,969)</u>
S1200-240	Net cash provided (used) by operating activities	<u>193,252</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
S1200-255	Net deposits to other reserves	(132,984)
S1200-330	Net purchase of fixed assets	(548,854)
S1200-340	Deferred financing costs	(31,471)
S1200-340	Due from limited partnerships and limited liability companies	79,547
S1200-340	Investment in partnerships and limited liability companies, net	10
S1200-345	Entity/construction investing activities	<u>(153,818)</u>
S1200-350	Net cash provided (used) by investing activities	<u>(787,570)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
S1200-365	Proceeds from mortgages, loans or notes payable	1,654,772
S1200-370	Principal payments on mortgages payable	(1,679,396)
S1200-450	Entity financing activities	441,684
S1200-455	Entity/construction financing activities	<u>(19,446)</u>
S1200-460	Net cash provided (used) by financing activities	<u>397,614</u>
S1200-470	Net increase (decrease) in cash	(196,704)
S1200-480	Cash and cash equivalents, beginning of year	<u>1,233,574</u>
S1200T	Cash and cash equivalents, end of year	<u>\$ 1,036,870</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Cash Flows Data, Continued
For the Year Ended December 31, 2014

RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

3250	Increase (decrease) in net assets from operations	\$ 674,040
	Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities	
6600	Depreciation	684,083
6610	Amortization	9,576
S1200-600	Loss on partnership investments	88
S1200-600	Other income - amortization of contra-property account	(8,070)
S1200-600	Grants and contributions restricted for long-term purposes	(435,649)
S1200-600	Developer fees earned, not received, related party	(215,422)
S1200-600	Write off of predevelopment costs	258,296
	Changes in assets and liabilities	
S1200-490	Tenant receivable	10,402
S1200-500	Other receivables	(680,303)
S1200-505	Gifts receivable	(112,697)
S1200-520	Prepaid expenses and deposits	(6,581)
S1200-530	Tenant security deposits	369
S1200-540	Accounts payable	(10,392)
S1200-570	Accrued interest payable	39,416
S1200-580	Tenant deposits held in trust	(737)
S1200-590	Prepaid rent	<u>(13,167)</u>
S1200-610	Net cash provided (used) by operating activities	<u>\$ 193,252</u>

IMAGINE HOUSING AND AFFILIATES
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
<u>Community Development Block Grants - Entitlement Grants Cluster</u>			
<u>Community Development Block Grants/Entitlement Grants</u>			
Passed through the City of Issaquah:			
Andrew's Arms Apartments	14.218	None	\$ 15,286
Passed through King County:			
Ellsworth House	14.218	26120E	47,793
Ellsworth House	14.218	D26707E/F	65,207
Terrace Hill Apartments	14.218	D26124E/F	350,647
Andrew's Glen	14.218	D37860D/H	647,388
Highland Gardens	14.218	D22342D	148,231
Passed through the City of Bellevue:			
Terrace Hill Apartments	14.218	None	25,000
Ellsworth House	14.218	None	150,000
Highland Gardens	14.218	None	143,050
Total Community Development Block Grants/Entitlement Grants			<u>1,592,602</u>
<u>Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)</u>			
Passed through King County:			
Andrew's Glen	14.253	D378601	<u>350,000</u>
Total Community Development Block Grant ARRA Entitlement Grants (CDBR-R) (Recovery Act Funded)			<u>350,000</u>
Total Community Development Block Grants - Entitlement Cluster			<u>1,942,602</u>

IMAGINE HOUSING AND AFFILIATES
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended December 31, 2014

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development, continued</u>			
<u>HOME Investment Partnerships Program</u>			
Passed through State of Washington Department of Commerce:			
Highland Gardens	14.239	95-419-4A	\$ 499,999
Passed through King County:			
Andrew's Heights	14.239	D05659D	445,000
Terrace Hill Apartments	14.239	D26124D	526,635
Andrew's Glen	14.239	D37860E/G	1,353,712
Highland Gardens	14.239	D22106D	<u>950,000</u>
Total HOME Investment Partnerships Program			<u>3,775,346</u>
<u>Section 8 Housing Assistance Payments Program</u>			
Passed through Contract Management Services:			
Ellsworth House	14.195	WA190004002	486,263
Kirkland Plaza	14.195	WA190004013	<u>192,429</u>
Total Section 8 Housing Assistance Payments Program			<u>678,692</u>
Total U.S. Department of Housing and Urban Development			<u>6,396,640</u>
<u>U.S. Department of Veterans Affairs</u>			
<u>VA Homeless Providers Grant and Per Diem Program</u>			
Direct Funding:			
Per Diem Funding - Andrew's Glen	64.024	10-753-WA	<u>224,750</u>
Total VA Homeless Providers Grant and Per Diem Program			<u>224,750</u>
Total U.S. Department of Veterans Affairs			<u>224,750</u>
Total Federal Expenditures			<u>\$ 6,621,390</u>

IMAGINE HOUSING AND AFFILIATES
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the federal grant activity of Imagine Housing and Affiliates and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Imagine Housing and Affiliates provided none of the federal awards to subrecipients.

NOTE C - LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS

Imagine Housing and Affiliates received the following funding through loans. Loan documents require compliance with program regulations until the maturity date of the loan. The loan balances outstanding at December 31, 2014, are included in the accompanying schedule of expenditures of federal awards and are as follows:

	<u>Loan Number</u>	<u>Maturity Date</u>	<u>Outstanding Loan Balance</u>
<u>U. S. DEPARTMENT OF HOUSING AND</u>			
<u>URBAN DEVELOPMENT</u>			
<u>Community Development Block</u>			
<u>Grants/Entitlement Grants:</u>			
Passed through City of Issaquah			
Andrew's Arms Apartments	None	9/10/2017	\$ 15,286
Passed through King County			
Ellsworth House	26120E	9/1/2049	47,793
	D26707E/F	9/1/2050	65,207
Terrace Hill Apartments	D26124E/F	4/30/2049	350,647
Andrew's Glen	D37860D/H	6/30/2061	647,388
Highland Gardens	D22342D	6/30/2017	148,231
Passed through City of Bellevue			
Terrace Hill Apartments	None	4/30/2049	25,000
Ellsworth House	None	6/1/2050	150,000
Highland Gardens	None	10/14/2056	143,050
<u>Community Development Block Grant ARRA</u>			
<u>Entitlement Grants (CDBG-R) (Recovery Act Funded):</u>			
Passed through King County			
Andrew's Glen	D378601	6/30/2061	350,000

IMAGINE HOUSING AND AFFILIATES
Notes to Schedule of Expenditures of Federal Awards, Continued
For the Year Ended December 31, 2014

NOTE C - LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS,
CONTINUED

HOME Investment Partnerships Program:

Passed through State of Washington Department of Commerce			
Highland Gardens	95-419-4A	12/31/2058	\$ 499,999
Passed through King County			
Andrew's Heights	D05659D	9/20/2034	445,000
Terrace Hill Apartments	D26124D	4/30/2049	526,635
Andrew's Glen	D37860E/G	6/30/2061	1,353,712
Highland Gardens	D22106D	12/15/2045	950,000
			<u>\$ 5,717,948</u>

WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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

Board of Directors
Imagine Housing and Affiliates
Kirkland, Washington

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 Imagine Housing and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2014, 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, and have issued our report thereon dated May 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Imagine Housing and Affiliates' 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 Imagine Housing and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Imagine Housing and Affiliates' 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Imagine Housing and Affiliates' consolidated financial statements are free from 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watson & McDowell, PLLC

May 27, 2015

WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Imagine Housing and Affiliates
Kirkland, Washington

Report on Compliance for Each Major Federal Program

We have audited Imagine Housing and Affiliates' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Imagine Housing and Affiliates' major federal program for the year ended December 31, 2014. Imagine Housing and Affiliates' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Imagine Housing and Affiliates' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Imagine Housing and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Imagine Housing and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Imagine Housing and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Imagine Housing and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Imagine Housing and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Imagine Housing and Affiliates' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watson = McDowell, PLLC

May 27, 2015

IMAGINE HOUSING AND AFFILIATES
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2014

Section I - Summary of Auditors' Results

Financial Statements

The auditors' report expresses an unmodified opinion on the consolidated financial statements of Imagine Housing and Affiliates.

Internal control over financial reporting:

- Material weaknesses identified: _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses: _____ Yes X No

Noncompliance material to financial statements noted: _____ Yes X No

Federal Awards

Internal control over major program:

- Material weaknesses identified: _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses: _____ Yes X No

The auditors' report on compliance for the major federal award program for Imagine Housing and Affiliates expresses an unmodified opinion for the program.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? X Yes _____ No

IMAGINE HOUSING AND AFFILIATES
Schedule of Findings and Questioned Costs, Continued
For the Year Ended December 31, 2014

Section II - Financial Statement Findings:

No matters related to the consolidated financial statements were reported.

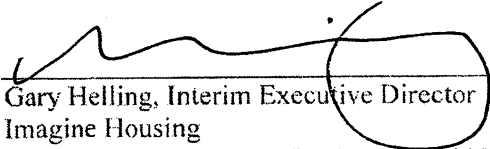
Section III - Federal Award Findings and Questioned Costs

No matters related to federal awards were reported.

IMAGINE HOUSING AND AFFILIATES
For the Year Ended December 31, 2014


CERTIFICATION OF PROJECT OWNER

We hereby certify that we have examined the accompanying consolidated financial statements and supplementary information of Imagine Housing and Affiliates and, to the best of our knowledge and belief, the same is complete and accurate.

By 

Gary Helling, Interim Executive Director
Imagine Housing
Taxpayer Identification Number: 94-3110312

5/27/15
Date

By 

Linda Bergam, President
Imagine Housing

5-27-15
Date

IMAGINE HOUSING AND AFFILIATES
For the Year Ended December 31, 2014

MANAGEMENT'S CERTIFICATION

I hereby certify that I have examined the accompanying consolidated financial statements and supplementary information of Imagine Housing and Affiliates and, to the best of my knowledge and belief, the same is complete and accurate.

Property Manager: FPI Management, Inc.

By Sue Bliven
Sue Bliven, Director of Finance
Imagine Housing
Taxpayer Identification Number: 94-3110312

5/27/15
Date

IMAGINE HOUSING AND AFFILIATES
For the Year Ended December 31, 2014

AUDITORS' TRANSMITTAL LETTER

S3200-005	Audit Firm ID (UII)	57080
S3200-010	Audit Firm	Watson & McDonell, PLLC
S3200-020	Lead Auditor First Name	Lillian
S3200-040	Lead Auditor Last Name	McDonell
S3200-045	Auditor Contact Title	Managing Member
S3200-050	Auditor Street Address Line 1	1325 Fourth Avenue
S3200-060	Auditor Street Address Line 2	Suite 1705
S3200-070	Auditor City	Seattle
S3200-080	Auditor State	Washington
S3200-090	Auditor Zip Code	98101
S3200-100	Auditor Zip Code Extension	3301
S3200-110	Telephone Number	206.624.2380
S3200-120	Audit Firm TIN	72-1607347
S3200-130	Date of Independent Auditors' Report	May 27, 2015