

IMAGINE HOUSING AND AFFILIATES

Consolidated Financial Statements
and Supplementary Information
for the Year Ended December 31, 2015
(With Comparative Totals for 2014)
and Independent Auditor's Reports

IMAGINE HOUSING AND AFFILIATES
Table of Contents
For the Year Ended December 31, 2015

Independent Auditor’s Report.....	1
Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities.....	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements.....	10
Supplementary Information Required by HUD:	
Consolidated Statement of Financial Position Data.....	27
Consolidated Statement of Activities Data and Net Assets	29
Consolidated Statement of Cash Flows Data.....	31
Supplementary Information Required by the Uniform Guidance:	
Schedule of Expenditures of Federal Awards.....	33
Notes to Schedule of Expenditures of Federal Awards	36
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 <i>Government Auditing Standards</i>	38
Independent Auditor’s Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	40
Schedule of Findings and Questioned Costs.....	42
Certifications.....	44
Auditor’s Transmittal Letter	46

WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about 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.

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, 2015, 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.

Report on Summarized Comparative Information

We have previously audited Imagine Housing and Affiliates' 2014 consolidated financial statements, and our report dated May 27, 2015, 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, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other 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 27 to 32 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 16, 2016, 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 16, 2016

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)

ASSETS

	2015	2014
Current assets:		
Cash and cash equivalents	\$ 867,367	\$ 917,783
Security deposits	57,792	54,405
Tenant and subsidy receivables	13,153	14,355
Grants and contributions receivable	169,112	386,074
Due from limited partnerships and limited liability companies	323,170	782,047
Prepaid expenses and deposits	84,956	71,197
	1,515,550	2,225,861
Other assets:		
Board-designated reserves	1,377,656	944,834
Restricted deposits	1,078,697	917,380
Construction cash	26,132	119,087
Investment in limited partnerships and limited liability companies	422,208	422,237
Grants and contributions receivable	114,033	227,770
Due from limited partnerships and limited liability companies	1,320,270	1,585,243
Construction in progress	749,579	435,055
Financing costs, net	281,799	295,855
Intangible assets	30,000	30,000
	5,400,374	4,977,461
Buildings and equipment:		
Land	7,628,672	7,628,672
Land improvements	572,903	489,012
Buildings	24,124,380	24,026,484
Furnishings and equipment	616,019	606,096
Leasehold improvements	6,992	6,992
Less: accumulated depreciation	(7,166,490)	(6,477,776)
Less: contra-property account	(304,459)	(313,948)
	25,478,017	25,965,532
	\$ 32,393,941	\$ 33,168,854

The accompanying notes should be read with these financial statements.

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position, Continued
December 31, 2015
(With Comparative Totals for 2014)

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
Current liabilities:		
Accrued expenses	\$ 143,913	\$ 117,415
Construction costs payable	73,864	1,702
Refundable advance	309	40,081
Due to limited partnerships and limited liability companies	20,121	18,394
Tenant deposits and prepaid rent	58,646	55,517
Accrued interest payable	223,473	170,532
Current portion of long-term debt	<u>3,375,837</u>	<u>1,315,276</u>
	<u>3,896,163</u>	<u>1,718,917</u>
Long-term debt:		
Notes payable	18,920,381	21,149,491
Forgivable debt	<u>1,185,137</u>	<u>1,220,137</u>
	<u>20,105,518</u>	<u>22,369,628</u>
	<u>24,001,681</u>	<u>24,088,545</u>
Net assets:		
Unrestricted net assets		
Unrestricted	6,024,582	6,912,600
Board-designated	<u>1,377,656</u>	<u>944,834</u>
	7,402,238	7,857,434
Temporarily restricted net assets	<u>990,022</u>	<u>1,222,875</u>
	<u>8,392,260</u>	<u>9,080,309</u>
	<u>\$ 32,393,941</u>	<u>\$ 33,168,854</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, 2015
(With Comparative Totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
Support and revenue:				
Special event revenue (not including \$410,401 and \$368,411, respectively, of contributions reported below)	\$ 74,211		\$ 74,211	\$ 54,900
Less: cost of direct benefits to donors	<u>(54,642)</u>		<u>(54,642)</u>	<u>(40,175)</u>
	19,569		19,569	14,725
Government grants	555,557		555,557	470,615
Contributions	616,282	\$ 55,942	672,224	1,103,828
Rental income, net	2,139,863		2,139,863	2,136,436
Management fees	234,883		234,883	131,228
Development fees				891,094
Laundry and miscellaneous tenant fees	37,557		37,557	34,428
Interest income	3,563		3,563	2,850
Gain (loss) on investments in limited partnerships and limited liability companies	(29)		(29)	(88)
Other	9,519		9,519	33,578
Net assets released from restriction	<u>165,282</u>	<u>(165,282)</u>		
	<u>3,782,046</u>	<u>(109,340)</u>	<u>3,672,706</u>	<u>4,818,694</u>
Expenses:				
Program services:				
Asset management	2,739,380		2,739,380	2,637,291
Housing development	296,617		296,617	588,149
Supportive services	577,219		577,219	554,955
Administration	460,415		460,415	351,874
Fund development	<u>363,018</u>		<u>363,018</u>	<u>448,034</u>
	<u>4,436,649</u>		<u>4,436,649</u>	<u>4,580,303</u>
Excess (deficiency) of operating support and revenue over expenses	(654,603)	(109,340)	(763,943)	238,391
Other income:				
Capital grants and contributions	<u>199,407</u>	<u>(123,513)</u>	<u>75,894</u>	<u>435,649</u>
Change in net assets	(455,196)	(232,853)	(688,049)	674,040
Net assets, beginning of year	<u>7,857,434</u>	<u>1,222,875</u>	<u>9,080,309</u>	<u>8,406,269</u>
Net assets, end of year	<u>\$ 7,402,238</u>	<u>\$ 990,022</u>	<u>\$ 8,392,260</u>	<u>\$ 9,080,309</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, 2015
(With Comparative Totals for 2014)

	<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 2015</u>	<u>Total 2014</u>
Salaries and wages	\$ 162,583	\$ 213,884	\$ 381,719	\$ 758,186	\$ 301,585	\$ 158,968	\$ 1,218,739	\$ 1,083,774
Building staff	272,630			272,630			272,630	222,242
Payroll taxes and benefits	95,437	40,915	76,932	213,284	52,378	30,013	295,675	289,129
Advertising	729			729		8,421	9,150	8,372
Bad debt	(3,916)			(3,916)		20,495	16,579	37,009
Building supplies	171,635			171,635			171,635	83,087
Insurance	38,443	1,970	6,265	46,678	3,629	2,581	52,888	50,189
Interest	235,706			235,706			235,706	386,743
Travel	3,491	2,402	9,677	15,570	921	1,503	17,994	14,915
Office supplies and services	96,065	7,741	17,562	121,368	41,582	63,075	226,025	239,618
Miscellaneous expenses					632		632	175
Taxes and fees	13,434		4,075	17,509	689	13,345	31,543	43,192
Tenant screening and services	2,164			2,164			2,164	2,327
Tenant relations	578			578			578	1,080
Training	10,588	3,015	5,485	19,088	7,288	4,667	31,043	32,044
Professional services	47,734	7,509	2,766	58,009	14,357	42,122	114,488	157,031
Case management services			67,065	67,065			67,065	75,100
Property management fees	109,159			109,159			109,159	109,235
Property taxes	8,947			8,947			8,947	7,256
Rent	13,776	15,397	5,673	34,846	28,362	17,828	81,036	69,207
Repairs and maintenance	205,843			205,843			205,843	151,314
Rental assistance	76,796			76,796			76,796	72,848
Utilities	454,686			454,686			454,686	445,609
Development expense		3,784		3,784			3,784	265,148
Grant refund expense								40,000
Amortization	14,056			14,056			14,056	9,576
Depreciation	<u>708,816</u>			<u>708,816</u>	<u>8,992</u>		<u>717,808</u>	<u>684,083</u>
 Total expenses	 <u>\$ 2,739,380</u>	 <u>\$ 296,617</u>	 <u>\$ 577,219</u>	 <u>\$ 3,613,216</u>	 <u>\$ 460,415</u>	 <u>\$ 363,018</u>	 <u>\$ 4,436,649</u>	 <u>\$ 4,580,303</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, 2015
(With Comparative Totals for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (688,049)	\$ 674,040
Adjustments:		
Depreciation and amortization	731,864	693,659
Loss (gain) on investments	29	88
Other income - amortization of contra-property account	(9,489)	(8,070)
Grants and contributions restricted for long-term purposes	(75,894)	(435,649)
Developer fees earned, not received, related party		(215,422)
Write off of predevelopment costs		258,296
Decrease (increase) in operating assets:		
Security deposits	(3,387)	369
Tenant and subsidy receivables	1,202	1,307
Grants and contributions receivable	216,962	(112,697)
Due from limited partnerships and limited liability companies	(22,309)	(671,208)
Prepaid expenses and deposits	(13,759)	(6,581)
Increase (decrease) in operating liabilities:		
Accrued expenses	26,498	(19,762)
Refundable advance	(39,772)	10,682
Due to limited partnerships and limited liability companies	1,727	(1,312)
Tenant deposits and prepaid rent	3,129	(13,904)
Accrued interest payable	52,941	39,416
	181,693	193,252
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land and land improvements	(83,891)	(21,583)
Purchase of building	(97,896)	(480,975)
Purchase of furnishings, equipment and vehicles	(39,017)	(46,296)
Financing costs		(31,471)
Construction in progress	(240,660)	(153,818)
Deferred developer fee and notes receivable - related party	746,159	79,547
Investment in partnerships and limited liability companies, net		10
Deposits to construction cash		(266,049)
Withdrawals from construction cash	92,955	227,671
Deposits to restricted deposits	(460,765)	(711,700)
Withdrawals from restricted deposits	299,448	579,835
Deposits to reserves	(433,335)	(178,078)
Withdrawals from reserves	513	176,959
	(216,489)	(825,948)

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, 2015
 (With Comparative Totals for 2014)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Grants and contributions restricted for long-term purposes	\$ 189,631	\$ 441,684
Construction costs payable	(1,702)	(19,446)
Payments on long-term debt	(256,672)	(1,679,396)
Proceeds from long-term debt	53,123	1,654,772
	(15,620)	397,614
Net increase (decrease) in cash	(50,416)	(235,082)
Cash and cash equivalents, beginning of year	917,783	1,152,865
Cash and cash equivalents, end of year	\$ 867,367	\$ 917,783

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, 2015
(With Comparative Totals for 2014)

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, 2015, 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 Athene, a proposed 91-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, Athene 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, 2015 or 2014.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

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 \$13,153 and \$14,355 were due to the Organization at December 31, 2015 and 2014, respectively. No allowance for doubtful accounts was considered necessary at December 31, 2015 or 2014.

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 \$105,887 and \$120,750 were capitalized during 2015 and 2014, 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 2015 or 2014.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

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 \$125,891 and \$111,835 at December 31, 2015 and 2014, 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, 2015 and 2014, accumulated amortization of the contra-property account was \$35,026 and \$25,537, 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, Athene 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 Athene LLC and RV Manager LLC. Ruby LLC, Roots I LLC, South KTOD Development LLC, Imagine Gardens LLC, Athene 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, 2015
(With Comparative Totals for 2014)

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 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, 2014, 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, 2015
(With Comparative Totals for 2014)

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, 2015 and 2014, pledges are expected to be realized in the following time frame:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 115,837	\$ 155,398
One to five years	60,007	200,943
Less present value discount	<u>(5,646)</u>	<u>(8,173)</u>
Net pledges	<u>\$ 170,198</u>	<u>\$ 348,168</u>

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 and was extended for an additional five-year term expiring November 30, 2020. 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 2015 and 2014 were \$81,036 and \$69,207, respectively.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

NOTE 4 - LEASE COMMITMENTS, CONTINUED

Operating lease, continued

Future minimum payments under the lease are as follows:

2016	\$ 85,643
2017	89,611
2018	93,579
2019	97,547
2020	<u>92,752</u>
	<u>\$ 459,132</u>

NOTE 5 - LONG-TERM DEBT

	<u>2015</u>	<u>2014</u>
<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	\$ 165,137	\$ 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	1,095,902	1,118,078
Andrew's Heights' loans are secured by land and building with a carrying value at December 31, 2015, of \$308,727 and \$1,657,179, 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	212,953	221,756
Note payable to King County, no interest, principal due at maturity, April 30, 2049	526,635	526,635

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2015	2014
<u>Terrace Hill Apartments, continued</u>		
Note payable to State of Washington, interest at 1%, quarterly payments of \$3,199 until maturity, October 30, 2049	\$ 366,166	\$ 375,244
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
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, 2015, of \$226,319 and \$1,246,703, respectively.		
<u>Kirkland Plaza</u>		
Note payable to bank, interest at 6.75%, monthly payments of \$2,906 until maturity, January 1, 2029	302,475	316,415
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

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2015	2014
<u>Kirkland Plaza, continued</u>		
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
Note payable to State of Washington, interest at 1%, annual payments of \$8,116 until maturity, October 31, 2048	227,178	232,965
Kirkland Plaza's loans are secured by land and building with a carrying value at December 31, 2015, of \$593,208 and \$832,717, respectively.		
<u>Ellsworth House</u>		
Note payable to bank, interest at 5.75%, monthly payments of \$15,902 until maturity, October 8, 2029	1,824,959	1,908,236
Note payable to bank, interest at 5.1565%, monthly payments of \$3,406 until maturity, October 8, 2029	403,499	423,017
Note payable to Washington State Housing Trust Fund, interest at 1%, annual payments of \$25,513 until maturity, October 30, 2049	732,279	750,289
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	441,291	449,138

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2015	2014
<u>Ellsworth House, continued</u>		
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	\$ 161,807	\$ 164,684
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	98,065	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	46,090	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	24,516	24,952
Ellsworth House's loans are secured by land and building with a carrying value at December 31, 2015, of \$1,046,500 and \$2,31,434, 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	580,936	588,825
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, 2015, of \$219,531 and \$520,755, respectively.		

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2015	2014
<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
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, 2015, of \$1,586,333 and \$8,113,212, respectively.		
<u>Highland Gardens</u>		
Note payable to bank, interest at 4.75%, monthly payments of \$3,944 with remaining balance due at maturity, May 27, 2021	730,844	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	482,459	489,622
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, 2015
(With Comparative Totals for 2014)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2015	2014
<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, 2015, of \$858,286 and \$2,836,164, respectively.		
<u>Athene</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 December 31, 2016	722,381	669,258
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	1,999,600
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, extension granted through December 31, 2016	400,000	400,000
Athene's loans are secured by land with a carrying value at December 31, 2015, 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

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	<u>2015</u>	<u>2014</u>
<u>Other debt, continued</u>		
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	\$ <u>15,286</u>	\$ <u>15,286</u>
	23,481,355	23,684,904
Less: current portion	<u>(3,375,837)</u>	<u>(1,315,276)</u>
	<u>\$20,105,518</u>	<u>\$22,369,628</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:

2016	\$	3,375,837
2017		426,803
2018		273,468
2019		284,209
2020		299,556
Forgivable debt		1,185,137
Thereafter		<u>17,636,345</u>
		<u>\$ 23,481,355</u>

NOTE 6 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash investing and financing activity included the following:

	<u>2015</u>	<u>2014</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>\$ 73,864</u>	

During 2015 and 2014, cash paid for interest, net of amounts capitalized, was \$247,025 and \$243,493, respectively.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

NOTE 7 - RESTRICTED DEPOSITS

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

	<u>2015</u>	<u>2014</u>
Operating reserve	\$ 190,174	\$ 184,643
Replacement reserve	489,494	363,699
Donor-restricted cash	<u>399,029</u>	<u>369,038</u>
	<u>\$ 1,078,697</u>	<u>\$ 917,380</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.

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

<u>Affiliate</u>	<u>Partnership/Limited Liability Company</u>	<u>2015</u>	<u>2014</u>
Imagine Housing	East Village LLC	\$ 202,149	\$ 202,064
	Chalet Apartments LLC	159,762	159,774
RV Manager LLC	KTOD LLC	1,001	1,044
Ruby LLC	Mine Hill Limited Partnership	19,487	19,500
	280 Clark Limited Partnership	39,950	39,967
	Totem Lake Phase I LLC	<u>(141)</u>	<u>(112)</u>
Total investment in LPs and LLCs		<u>\$ 422,208</u>	<u>\$ 422,237</u>

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

NOTE 8 - INVESTMENTS ACCOUNTED FOR BY EQUITY METHOD, CONTINUED

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

	<u>2015</u>	<u>2014</u>
Total assets	\$ 53,743,162	\$ 54,847,667
Total liabilities	30,291,506	39,311,940
Operating revenue	2,734,042	2,316,156
Net income before depreciation and amortization	253,711	53,003

NOTE 9 - RELATED PARTY TRANSACTIONS

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

	<u>2015</u>	<u>2014</u>
Development fees		\$ 891,094
Company management fees	\$ 106,755	33,192
Case management fees	128,128	100,670
	<u>\$ 234,883</u>	<u>\$ 1,024,956</u>

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

	<u>2015</u>	<u>2014</u>
Development fees	\$ 801,894	\$ 1,598,555
Note receivable including interest	409,139	409,139
Operating deficit advance	285,000	285,000
Company management fees	30,450	15,000
Case management fees	66,337	27,810
Reimbursable development costs	29,477	30,509
Reimbursable operating costs	21,143	1,277
	<u>\$ 1,643,440</u>	<u>\$ 2,367,290</u>

In addition, during 2015 and 2014, the Organization incurred rental assistance expense to a limited partnership of \$76,796 and \$72,848, respectively. At December 31, 2015 and 2014, \$20,121 and \$18,394, respectively, remained payable to the limited partnership.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

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. The contract renewed effective July 21, 2014, for an additional five-year period. Housing assistance payments totaling \$188,299 and \$192,429 were received in 2015 and 2014, respectively.

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 \$493,081 and \$486,263 were received in 2015 and 2014, 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 \$12,318 and \$12,720 were paid in 2015 and 2014, 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 \$33,001 and \$32,675 were paid in 2015 and 2014, respectively.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

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 \$21,233 and \$22,551 in 2015 and 2014, respectively.

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, 2015 and 2014, 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, 2015 and 2014, the uninsured cash balances totaled \$1,699,224 and \$1,160,334, respectively. The Organization has not experienced any losses in such accounts.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

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:

	<u>2015</u>	<u>2014</u>
Operating reserves	\$ 807,549	\$ 517,590
Replacement reserves	<u>570,107</u>	<u>427,244</u>
	<u>\$ 1,377,656</u>	<u>\$ 944,834</u>

Temporarily restricted net assets

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

	<u>2015</u>	<u>2014</u>
Housing development	\$ 255,371	\$ 443,270
Supportive services	81,919	143,555
Asset management - capital improvements	302,232	301,050
Auction	15,500	
Land lease, Note 4	<u>335,000</u>	<u>335,000</u>
	<u>\$ 990,022</u>	<u>\$ 1,222,875</u>

NOTE 16 - CONSTRUCTION IN PROGRESS

At December 31, 2015 and 2014, the construction in progress account consisted of the following projects and their related costs:

	<u>2015</u>	<u>2014</u>
Athene	\$ 642,808	\$ 422,797
St. Luke's	103,478	12,258
Other	<u>3,293</u>	
	<u>\$ 749,579</u>	<u>\$ 435,055</u>

NOTE 17 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 16, 2016, 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, 2015

ASSETS

Current assets:

1120	Cash - operations	\$ 867,367
1121	Cash - construction	<u>26,132</u>
1130	Tenant receivable	<u>5,138</u>
1130N	Net tenant receivable	<u>5,138</u>
1135	Accounts receivable - HUD	<u>8,015</u>
1140	Accounts receivable - operations	<u>169,112</u>
1145	Accounts receivable - entity	<u>323,170</u>
1200	Prepaid expenses and deposits	<u>84,956</u>
1100T	Total current assets	<u>1,483,890</u>
1191	Tenant deposits held in trust	<u>57,792</u>
1330	Other reserves - operating and board-designated	<u>2,456,353</u>
1300T	Total reserve deposits	<u>2,456,353</u>

Buildings and equipment:

1410	Land	8,201,575
1420	Buildings	24,124,380
1460	Furnishings	549,645
1465	Office furniture and equipment	66,374
1490	Leasehold improvements	6,992
1490	Contra-property account	<u>(304,459)</u>
1400T	Total fixed assets	32,644,507
1495	Accumulated depreciation	<u>(7,166,490)</u>
1400N	Net fixed assets	<u>25,478,017</u>

Other assets:

1515	Investments - entity	422,208
1520	Deferred financing costs, net	281,799
1590	Due from limited partnerships and limited liability companies	1,320,270
1590	Construction in progress	749,579
1590	Miscellaneous other assets	<u>144,033</u>
1500T	Total other assets	<u>2,917,889</u>
1000T	Total assets	<u>\$ 32,393,941</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position Data, Continued
December 31, 2015

LIABILITES AND NET ASSETS

Current liabilities:

2110	Accounts payable - operations	\$	121,877
2111	Accounts payable - construction/development		73,864
2113	Accounts payable - entity		20,121
2120	Accrued wages payable		22,345
2131	Accrued interest payable		192,470
2170	Mortgages payable - short term		3,375,837
2210	Prepaid rent		<u>5,867</u>
2122T	Total current liabilities		<u>3,812,381</u>
2191	Tenant deposits held in trust		<u>52,779</u>

Long-term liabilities:

2320	Mortgages or notes payable		20,105,518
2330	Interest on loans or notes payable (long term)		<u>31,003</u>
2300T	Total long term liabilities		<u>20,136,521</u>
2000T	Total liabilities		<u>24,001,681</u>

Net assets:

3131	Unrestricted		7,402,238
3132	Temporarily restricted		<u>990,022</u>
3130	Total net assets		<u>8,392,260</u>
2033T	Total liabilities and net assets	\$	<u>32,393,941</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Activities Data and Net Assets
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
5120 Rent revenue - gross potential	\$ 1,309,244		\$ 1,309,244
5121 Tenant assistance payments	861,237		861,237
5100T Total rent revenue	<u>2,170,481</u>		<u>2,170,481</u>
5220 Vacancy	(30,618)		(30,618)
5200T Total vacancies	<u>(30,618)</u>		<u>(30,618)</u>
5152N Net rental revenue	<u>2,139,863</u>		<u>2,139,863</u>
5410 Financial revenue - project operations	3,563		3,563
5400T Total financial revenue	<u>3,563</u>		<u>3,563</u>
5910 Laundry and vending revenue	23,441		23,441
5920 Tenant charges	14,116		14,116
5970 Gifts and contributions	1,171,839	\$ 55,942	1,227,781
5960 Expiration of gift donor restrictions	165,282	(165,282)	
5990 Miscellaneous	263,942		263,942
5900T Total other revenue	<u>1,638,620</u>	<u>(109,340)</u>	<u>1,529,280</u>
5000T Total revenue	<u>3,782,046</u>	<u>(109,340)</u>	<u>3,672,706</u>
Expenses:			
6210 Advertising & marketing	9,150		9,150
6250 Other renting expense	2,742		2,742
6310 Office salaries	1,218,739		1,218,739
6311 Office expenses	226,025		226,025
6320 Property management fee	109,159		109,159
6330 Manager salaries	135,275		135,275
6340 Legal expense - project	1,195		1,195
6350 Audit expense	43,646		43,646
6370 Bad debts	16,579		16,579
6390 Miscellaneous administrative expense	132,819		132,819
6263T Total administrative expenses	<u>1,895,329</u>		<u>1,895,329</u>
6450 Electricity	107,613		107,613
6451 Water	77,890		77,890
6452 Gas	6,871		6,871
6453 Sewer	183,388		183,388
6400T Total utilities expense	<u>375,762</u>		<u>375,762</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Activities Data and Net Assets, Continued
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Expenses, Continued:			
6510 Maintenance payroll	\$ 137,355		\$ 137,355
6515 Supplies (janitor)	171,635		171,635
6520 Contracts (repairs & maintenance)	183,751		183,751
6525 Garbage and trash removal	78,924		78,924
6530 Security payroll/contract	<u>22,092</u>		<u>22,092</u>
6500T Total operating and maintenance expense	<u>593,757</u>		<u>593,757</u>
6710 Property taxes	8,947		8,947
6711 Payroll taxes (projects share)	124,594		124,594
6720 Property and liability insurance (hazard)	52,888		52,888
6722 Workmen's compensation	19,634		19,634
6723 Health insurance and other employee benefits	151,447		151,447
6790 Miscellaneous taxes, licenses, permits and insurance	<u>8,886</u>		<u>8,886</u>
6700T Total taxes and insurance	<u>366,396</u>		<u>366,396</u>
6820 Interest on first mortgage	235,706		235,706
6890 Lease expenses	81,036		81,036
6890 Miscellaneous financial expenses	<u>9,154</u>		<u>9,154</u>
6800T Total financial expenses	<u>325,896</u>		<u>325,896</u>
6000T Total cost of operations before amortization and depreciation	<u>3,557,140</u>		<u>3,557,140</u>
5060T Profit (loss) before depreciation and amortization	224,906	\$ (109,340)	115,566
6600 Depreciation	717,808		717,808
6610 Amortization	<u>14,056</u>		<u>14,056</u>
5060N Operating profit or (loss)	<u>(506,958)</u>	<u>(109,340)</u>	<u>(616,298)</u>
7105 Capital grants and contributions	199,407	(123,513)	75,894
7190 Other expenses	<u>(147,645)</u>		<u>(147,645)</u>
7100T Net entity expenses	<u>51,762</u>	<u>(123,513)</u>	<u>(71,751)</u>
3250 Change in net assets from operations	(455,196)	(232,853)	(688,049)
S1100-050 Net assets, beginning of year	<u>7,857,434</u>	<u>1,222,875</u>	<u>9,080,309</u>
3130 Net assets, end of year	<u>\$ 7,402,238</u>	<u>\$ 990,022</u>	<u>\$ 8,392,260</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Cash Flows Data
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

S1200-010	Rental receipts	\$ 2,143,736
S1200-020	Interest receipts	3,563
S1200-025	Gifts	1,408,143
S1200-030	Other operating receipts	<u>292,244</u>
S1200-040	Total receipts	<u>3,847,686</u>
S1200-050	Administrative expenditures	(445,316)
S1200-070	Management fees	(103,441)
S1200-090	Utilities	(374,545)
S1200-100	Salaries and wages	(1,490,672)
S1200-110	Operating and maintenance	(452,221)
S1200-115	Lease payments	(82,037)
S1200-120	Real estate taxes	(8,947)
S1200-140	Property insurance	(59,223)
S1200-150	Miscellaneous taxes and insurance	(303,394)
S1200-160	Tenant security deposits	(2,929)
S1200-170	Other operating expenses	(9,154)
S1200-180	Interest on mortgages payable	(182,765)
S1200-225	Entity disbursements	<u>(151,349)</u>
S1200-230	Total disbursements	<u>(3,665,993)</u>
S1200-240	Net cash provided (used) by operating activities	<u>181,693</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

S1200-255	Net deposits to other reserves	(594,139)
S1200-330	Net purchase of fixed assets	(220,804)
S1200-340	Due from limited partnerships and limited liability companies	746,159
S1200-345	Entity/construction investing activities	<u>(240,660)</u>
S1200-350	Net cash provided (used) by investing activities	<u>(309,444)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

S1200-365	Proceeds from mortgages, loans or notes payable	53,123
S1200-370	Principal payments on mortgages payable	(256,672)
S1200-450	Entity financing activities	189,631
S1200-455	Entity/construction financing activities	<u>(1,702)</u>
S1200-460	Net cash provided (used) by financing activities	<u>(15,620)</u>
S1200-470	Net increase (decrease) in cash	(143,371)
S1200-480	Cash and cash equivalents, beginning of year	<u>1,036,870</u>
S1200T	Cash and cash equivalents, end of year	<u>\$ 893,499</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Cash Flows Data, Continued
For the Year Ended December 31, 2015

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

3250	Increase (decrease) in net assets from operations	\$ (688,049)
	Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities	
6600	Depreciation	717,808
6610	Amortization	14,056
S1200-600	Loss on partnership investments	29
S1200-600	Other income - amortization of contra-property account	(9,489)
S1200-600	Grants and contributions restricted for long-term purposes	(75,894)
	Changes in assets and liabilities	
S1200-490	Tenant receivable	(611)
S1200-500	Other receivables	(20,496)
S1200-505	Gifts receivable	216,962
S1200-520	Prepaid expenses and deposits	(13,759)
S1200-530	Tenant security deposits	(3,387)
S1200-540	Accounts payable	(11,547)
S1200-570	Accrued interest payable	52,941
S1200-580	Tenant deposits held in trust	458
S1200-590	Prepaid rent	<u>2,671</u>
S1200-610	Net cash provided (used) by operating activities	<u>\$ 181,693</u>

IMAGINE HOUSING AND AFFILIATES
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

<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</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	<u>143,050</u>
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>

IMAGINE HOUSING AND AFFILIATES
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended December 31, 2015

<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	493,081
Kirkland Plaza	14.195	WA190004013	<u>188,299</u>
Total Section 8 Housing Assistance Payments Program			<u>681,380</u>
<u>Section 4 Capacity Building for Community Development and Affordable Housing</u>			
Passed through Local Initiatives Support Corporation:			
Imagine Housing	14.252	46685-0001	<u>30,000</u>
Total Section 4 Capacity Building for Community Development and Affordable Housing			<u>30,000</u>
Total U.S. Department of Housing and Urban Development			<u>6,429,328</u>

IMAGINE HOUSING AND AFFILIATES
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended December 31, 2015

<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 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	\$ 254,681
Total VA Homeless Providers Grant and Per Diem Program			<u>254,681</u>
Total U.S. Department of Veterans Affairs			<u>254,681</u>
Total Federal Expenditures			<u>\$ 6,684,009</u>

IMAGINE HOUSING AND AFFILIATES
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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, 2015, 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, 2015

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 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

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, 2015, 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 16, 2016.

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 16, 2016

WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on Imagine Housing and Affiliates' major federal program for the year ended December 31, 2015. Imagine Housing and Affiliates' major federal program is identified in the summary of auditor's 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.

Auditor's 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Watson & McDowell, PLLC

May 16, 2016

IMAGINE HOUSING AND AFFILIATES
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

The auditor's 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 auditor's 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 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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, 2015

Section II - Financial Statement Findings:

No matters related to the consolidated financial statements were reported.

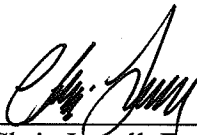
Section III - Federal Award Findings and Questioned Costs

No matters related to federal awards were reported.

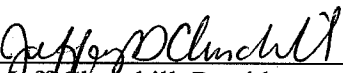
IMAGINE HOUSING AND AFFILIATES
For the Year Ended December 31, 2015

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  _____
Chris Jowell, Executive Director
Imagine Housing
Taxpayer Identification Number: 94-3110312

5-16-16
Date

By  _____
Jeff Churchill, President
Imagine Housing

5/16/2016
Date

IMAGINE HOUSING AND AFFILIATES
For the Year Ended December 31, 2015

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

5/16/16
Date

IMAGINE HOUSING AND AFFILIATES
For the Year Ended December 31, 2015

AUDITOR'S 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	2528
S3200-110	Telephone Number	206-624-2380
S3200-120	Audit Firm TIN	72-1607347
S3200-130	Date of Independent Auditor's Report	May 16, 2016