

IMAGINE HOUSING AND AFFILIATES

Consolidated Financial Statements
and Supplementary Information
for the Year Ended December 31, 2018
(With Comparative Totals for 2017)
and Independent Auditor's Reports



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IMAGINE HOUSING AND AFFILIATES
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For the Year Ended December 31, 2018

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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 (a Washington nonprofit organization) and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2018, 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

The 2017 financial statements were audited by Watson & McDonell, PLLC, whose practice became part of CliftonLarsonAllen LLP as of February 1, 2019, and whose report dated May 22, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 28 to 33 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards 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 June 17, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Bellevue, Washington
June 17, 2019

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 1,999,455	\$ 1,326,458
Security deposits	112,402	107,811
Tenant and subsidy receivables	73,519	24,442
Grants and contributions receivable	159,557	153,480
Beneficial interest in lead trust	7,500	7,500
Due from limited partnerships and limited liability companies	416,165	693,336
Prepaid expenses and deposits	<u>131,914</u>	<u>91,802</u>
	<u>2,900,512</u>	<u>2,404,829</u>
Other assets:		
Board-designated reserves	1,696,419	1,811,862
Restricted deposits	946,612	943,333
Construction cash	26,171	26,158
Investment in limited partnerships and limited liability companies	424,761	424,902
Grants and contributions receivable	2,777	11,267
Beneficial interest in lead trust	83,131	90,089
Due from limited partnerships and limited liability companies	703,683	959,683
Construction in progress	1,208,699	70,627
Capitalized costs, net	75,558	78,891
Intangible assets	<u>30,000</u>	<u>30,000</u>
	<u>5,197,811</u>	<u>4,446,812</u>
Buildings and equipment:		
Land	15,978,904	15,978,904
Land improvements	583,087	583,087
Buildings	24,285,708	24,277,008
Furnishings and equipment	735,232	711,002
Leasehold improvements	6,992	6,992
Less: accumulated depreciation	(9,357,478)	(8,605,337)
Less: contra-property account	<u>(275,992)</u>	<u>(285,481)</u>
	<u>31,956,453</u>	<u>32,666,175</u>
	<u>\$ 40,054,776</u>	<u>\$ 39,517,816</u>

The accompanying notes should be read with these financial statements.

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position, Continued
December 31, 2018
(With Comparative Totals for 2017)

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current liabilities:		
Accrued expenses	\$ 253,894	\$ 250,540
Construction costs payable	328,349	20,748
Refundable advance	36,720	7,726
Due to limited partnerships and limited liability companies	18,704	18,837
Tenant deposits and prepaid rent	170,163	114,332
Accrued interest payable	54,339	51,163
Current portion of long-term debt	<u>268,861</u>	<u>384,755</u>
	<u>1,131,030</u>	<u>848,101</u>
Long-term debt:		
Notes payable, net of unamortized debt issuance costs	18,603,641	18,246,229
Forgivable debt	<u>1,258,368</u>	<u>1,110,137</u>
	<u>19,862,009</u>	<u>19,356,366</u>
	<u>20,993,039</u>	<u>20,204,467</u>
Net assets:		
Net assets without donor restrictions		
Undesignated	16,608,126	16,731,450
Board-designated	<u>1,696,419</u>	<u>1,811,862</u>
	18,304,545	18,543,312
Net assets with donor restrictions	<u>757,192</u>	<u>770,037</u>
	<u>19,061,737</u>	<u>19,313,349</u>
	<u>\$ 40,054,776</u>	<u>\$ 39,517,816</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, 2018
(With Comparative Totals for 2017)

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total 2018</u>	<u>Total 2017</u>
Support and revenue:				
Special event revenue (not including \$466,998 and \$448,025, respectively, of contributions reported below)	\$ 67,201		\$ 67,201	\$ 71,130
Less: cost of direct benefits to donors	<u>(61,290)</u>		<u>(61,290)</u>	<u>(61,265)</u>
	5,911		5,911	9,865
Government grants	662,376		662,376	449,128
Contributions	702,634	\$ 131,683	834,317	1,128,451
Rental income, net	2,994,785		2,994,785	2,247,707
Management fees	344,811		344,811	228,652
Development fees	-		-	1,189,398
Laundry and miscellaneous tenant fees	29,582		29,582	35,518
Interest income	15,272		15,272	5,457
Gain (loss) on investments in limited partnerships and limited liability companies	(141)		(141)	(71)
Other	16,540		16,540	10,688
Net assets released from restriction	<u>40,928</u>	<u>(40,928)</u>	<u>4,903,453</u>	<u>5,304,793</u>
	<u>4,812,698</u>	<u>90,755</u>	<u>4,903,453</u>	<u>5,304,793</u>
Expenses:				
Program services:				
Asset management	3,045,751		3,045,751	3,282,464
Housing development	501,610		501,610	454,289
Supportive services	645,120		645,120	486,793
Administration	461,114		461,114	440,660
Fund development	<u>604,732</u>		<u>604,732</u>	<u>520,948</u>
	<u>5,258,327</u>		<u>5,258,327</u>	<u>5,185,154</u>
Excess (deficiency) of operating support and revenue over expenses	(445,629)	90,755	(354,874)	119,639
Other income:				
Capital grants and contributions	58,700	44,562	103,262	11,173,094
Net assets released from restriction	<u>148,162</u>	<u>(148,162)</u>	<u>103,262</u>	<u>11,173,094</u>
	<u>206,862</u>	<u>(103,600)</u>	<u>103,262</u>	<u>11,173,094</u>
Change in net assets	(238,767)	(12,845)	(251,612)	11,292,733
Net assets, beginning of year	<u>18,543,312</u>	<u>770,037</u>	<u>19,313,349</u>	<u>8,020,616</u>
Net assets, end of year	<u>\$ 18,304,545</u>	<u>\$ 757,192</u>	<u>\$ 19,061,737</u>	<u>\$ 19,313,349</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, 2018
(With Comparative Totals for 2017)

	Asset Management	Housing Development	Supportive Services	Total Program	Administration	Fund Development	Total 2018	Total 2017
Salaries and wages	\$ 167,155	\$ 308,420	\$ 376,324	\$ 851,899	\$ 294,652	\$ 365,274	\$ 1,511,825	\$ 1,304,146
Building staff	272,007			272,007			272,007	282,764
Payroll taxes and benefits	130,206	58,895	102,805	291,906	75,585	86,786	454,277	356,844
Advertising	1,899			1,899		59	1,958	542
Bad debt	20,372			20,372		-	20,372	10,836
Building supplies	145,094			145,094			145,094	215,033
Insurance	80,476	2,013	6,306	88,795	2,586	3,338	94,719	56,326
Interest	208,043			208,043		10,262	218,305	210,686
Interest - amortization of debt issuance costs	10,721			10,721			10,721	10,716
Travel	4,736	2,757	6,280	13,773	834	1,211	15,818	15,883
Office supplies and services	106,923	16,212	52,192	175,327	20,250	51,276	246,853	229,737
Miscellaneous expenses	-				604		604	641
Taxes and fees	15,829	86	3,553	19,468	468	16,505	36,441	64,099
Tenant screening and services	2,926			2,926			2,926	2,473
Tenant relations	909			909			909	667
Training	6,076	7,147	6,568	19,791	17,685	9,645	47,121	26,506
Professional services	91,413	71,527	968	163,908	3,845	29,324	197,077	183,234
Case management services	-		82,596	82,596			82,596	41,530
Property management fees	122,978			122,978			122,978	121,757
Property taxes	61,297			61,297			61,297	22,638
Rent	10,351	19,760	7,528	37,639	25,406	31,052	94,097	100,183
Repairs and maintenance	230,842			230,842			230,842	206,320
Rental assistance	76,904			76,904			76,904	69,684
Utilities	502,319			502,319			502,319	473,963
Development expense	-	14,793		14,793			14,793	20,724
Grant refund expense	40,000			40,000			40,000	-
Loss on disposal of assets				-			-	1,564
Loss on forgiveness of debt				-			-	409,140
Amortization	3,333			3,333			3,333	3,333
Depreciation	732,942			732,942	19,199		752,141	743,185
Total expenses	\$ 3,045,751	\$ 501,610	\$ 645,120	\$ 4,192,481	\$ 461,114	\$ 604,732	\$ 5,258,327	\$ 5,185,154

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, 2018
(With Comparative Totals for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (251,612)	\$ 11,292,733
Adjustments:		
Depreciation and amortization	755,474	746,518
Loss (gain) on investments	141	71
Other income - amortization of contra-property account	(9,489)	(9,489)
Interest - amortization of debt issuance costs	10,721	10,716
Loss on disposal of assets		1,564
Loss on forgiveness of debt		409,140
Donation of property		(11,140,390)
Decrease (increase) in operating assets:		
Security deposits	(4,591)	(47,649)
Tenant and subsidy receivables	(49,077)	(3,964)
Grants and contributions receivable	(6,077)	83,626
Due from limited partnerships and limited liability companies	(43,099)	(739)
Beneficial interest in lead trust	6,958	7,134
Prepaid expenses and deposits	(40,112)	(5,325)
Increase (decrease) in operating liabilities:		
Accounts payable	3,354	(5,118)
Refundable advance	28,994	7,726
Due to limited partnerships and limited liability companies	(133)	(3,677)
Tenant deposits and prepaid rent	55,831	54,178
Accrued interest payable	3,176	619
	<u>460,459</u>	<u>1,397,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of building, furnishings, equipment and vehicles	(32,930)	(65,045)
Construction in progress	(809,723)	
Transfer of land and construction in progress to related party		145,857
Deferred developer fee and notes receivable - related party	576,270	(684,313)
Investment in partnerships and limited liability companies, net		(1,260)
Deposits to construction cash	(13)	(13)
Deposits to restricted deposits	(397,798)	(221,358)
Withdrawals from restricted deposits	394,518	77,316
Deposits to reserves	(385,548)	(499,115)
Withdrawals from reserves	500,992	345,945
	<u>(154,232)</u>	<u>(901,986)</u>

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, 2018
 (With Comparative Totals for 2017)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Grants and contributions restricted for long-term purposes	\$ 8,490	\$ 50,401
Construction costs payable	(20,748)	(8,570)
Payments on long-term debt	(234,603)	(292,383)
Proceeds from long-term debt	613,631	40,000
	366,770	(210,552)
Net increase (decrease) in cash	672,997	285,136
Cash and cash equivalents, beginning of year	1,326,458	1,041,322
Cash and cash equivalents, end of year	\$ 1,999,455	\$ 1,326,458

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, 2018
(With Comparative Totals for 2017)

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, 2018, it managed 14 residential apartment buildings, having ownership of seven and partial ownership of seven others through limited partnerships and limited liability companies. These buildings provide 576 units of low-income housing in Bellevue, Kirkland, Mercer Island, Redmond and Issaquah, Washington.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These financial statements consolidate the statements of Imagine Housing, Imagine Housing Communities (formerly Red Vines 1), Ruby LLC, Roots I LLC, Imagine Gardens LLC, Athene Manager 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 Imagine Housing Communities. Imagine Housing Communities is a 501(c)(3) nonprofit Community Housing Development Organization. Imagine Housing has effective control over Imagine Housing Communities; two-thirds of the members of the board of Imagine Housing Communities are also members of the board of Imagine Housing, and Imagine Housing has approval authority over appointment of all Imagine Housing Communities 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 (see Note 9).

Basis of financial presentation

In accordance with generally accepted accounting principles, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements – ASU 2016-14

During the year ended December 31, 2018, the Organization adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of the Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions), expands reporting of expenses by nature and function, and requires qualitative and quantitative disclosures about the Organization's liquidity and availability. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

Restricted and unrestricted revenue and support

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The governing board has designated, from net assets without donor restrictions, net assets for operating and capital reserves.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Functional Expenses

Functional expenses are allocated directly to departments, as applicable. Indirect costs are allocated across programs, administration, and fund development based on the number of payroll hours worked by staff at the Organization's main office.

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.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 \$73,519 and \$24,442 were due to the Organization at December 31, 2018 and 2017, respectively. No allowance for doubtful accounts was considered necessary at December 31, 2018 or 2017.

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. Depreciation has been computed on the straight-line basis for furnishings and equipment over 3 to 7 years, for vehicles and leasehold improvements over 5 years, for land improvements over 15 years, and for buildings and improvements over 15 to 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 2018 or 2017.

Debt issuance costs

Debt issuance costs are reported on the balance sheets as a direct deduction from the face of the mortgages payable (see Note 7) and are amortized over the term of the mortgage 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. Amortization of debt issuance costs is included in interest expense in the statements of operations.

Capitalized costs and amortization

Capitalized costs consist of tax credit fees which are amortized over a 30-year period using the straight-line method. Accumulated amortization was \$24,442 and \$21,109 at December 31, 2018 and 2017, respectively.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Donated property, equipment and services

Donations of property and equipment are recorded as an increase in net assets without donor restrictions at their estimated fair value at the date of donation.

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, 2018 and 2017, accumulated amortization of the contra-property account was \$63,493 and \$54,004, 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 Imagine Housing Communities 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 Manager LLC, RV Manager LLC, and 30Bellevue 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. Imagine Housing Communities is the sole member of Athene Manager LLC, RV Manager LLC, and 30Bellevue Manager LLC. Ruby LLC, Roots I LLC, South KTOD Development LLC, Imagine Gardens LLC, Athene Manager LLC, RV Manager LLC, and 30Bellevue Manager LLC are disregarded entities for tax purposes.

The Organization's income tax filings are subject to examination by various taxing authorities.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2017, 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 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the balance sheet date without donor or other restrictions limiting their use are as follows:

Cash and cash equivalents	\$ 1,999,455
Tenant and subsidy receivables	73,519
Current grants and contributions receivable	159,557
Distributions from beneficial interest in lead trust	7,500
Due from limited partnerships and limited liability companies	<u>416,165</u>
	<u>\$ 2,656,196</u>

As further explanation, each property operates self-sufficiently and budgets anticipate that rent revenue will cover related property operating expenditures. Of the financial assets listed above, \$969,018 is associated with seven properties owned by Imagine Housing or Imagine Housing Communities. Properties also have lender and/or board-designated replacement and operating reserves that can be made available for capital repairs and operating deficits as described in Note 16. Liquid assets which are available for general operations of Imagine Housing and Imagine Housing Communities total \$1,687,178.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 3 – LIQUIDITY AND AVAILABILITY, CONTINUED

Additionally, the Board has established an operating reserve of 3 months of operating expenses, or \$667,789 at December 31, 2018, which can be made available if necessary. Imagine Housing has also raised \$417,157 of board-designated donations in a revolving fund and, as of December 31, 2018, \$640,000 of social impact investments for future project feasibility, predevelopment and construction in order to achieve the Organization’s goal of having 1,000 units of affordable housing in its portfolio by 2022.

NOTE 4 - BENEFICIAL INTEREST IN LEAD TRUST

During 2015, a donor established a trust with an independent broker naming Imagine Housing as the lead beneficiary of a charitable lead annuity trust. Under terms of the split-interest agreement, the Organization is to receive \$7,500 annually for 20-years for its unrestricted use. Upon termination, the Trust will be distributed to the individual remainder beneficiaries. Using a 2.38 percent discount rate, the present value of future benefits expected to be received by the Organization was estimated to be \$90,631 and \$97,589, which was reported in 2018 and 2017, respectively, as an increase in net assets with donor restrictions and a contribution receivable from charitable lead trust. The Organization received \$7,500 from the trust in December 31, 2018 and 2017, which was recorded as a reduction in the receivable and a corresponding reclassification from net assets with donor restrictions to net assets without donor restrictions. The Organization also recorded amortization of the discount on the estimated present value of future benefits of \$542 and \$366 in 2018 and 2017, respectively.

NOTE 5 - 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.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 5 - LEASE COMMITMENTS, CONTINUED

Operating lease

The Organization entered into a five-year operating lease on December 1, 2010, for office space in Kirkland, Washington. The lease expired 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 these leases for December 31, 2018 and 2017 were \$94,097 and \$100,183, respectively.

Future minimum payments under the lease are as follows:

2019	\$ 97,547
2020	<u>92,752</u>
	<u>\$ 190,299</u>

NOTE 6 - LONG-TERM DEBT

	2018	2017
<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	\$ 165,137
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	1,028,340	1,050,983
Andrew's Heights' loans are secured by land and building with a carrying value at December 31, 2018, of \$308,727 and \$1,421,671, 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	182,303	193,279

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
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(With Comparative Totals for 2017)

NOTE 6 - LONG-TERM DEBT, CONTINUED

	<u>2018</u>	<u>2017</u>
<u>Terrace Hill Apartments, continued</u>		
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	340,729	347,736
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, 2018, of \$226,319 and \$1,078,404, respectively.		
<u>Kirkland Plaza</u>		
Note payable to bank, interest at 6.75%, monthly payments of \$2,906 until maturity, January 1, 2029	254,557	271,616
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

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 6 - LONG-TERM DEBT, CONTINUED

	<u>2018</u>	<u>2017</u>
<u>Kirkland Plaza, continued</u>		
Kirkland Plaza 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
Note payable to State of Washington, interest at 1%, annual payments of \$8,116 until maturity, October 31, 2048	215,430	215,430
Kirkland Plaza's loans are secured by land and building with a carrying value at December 31, 2018, of \$593,208 and \$736,445, respectively.		
<u>Ellsworth House</u>		
Note payable to bank, interest at 5.75%, monthly payments of \$15,902 until maturity, October 8, 2029	1,544,451	1,643,366
Note payable to bank, interest at 5.1565%, monthly payments of \$3,406 until maturity, October 8, 2029	338,541	361,317
Note payable to Washington State Housing Trust Fund, interest at 1%, annual payments of \$25,513 until maturity, October 30, 2049	677,161	695,716
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

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 6 - LONG-TERM DEBT, CONTINUED

	2018	2017
<u>Ellsworth House, continued</u>		
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	\$ 437,847	\$ 441,291
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	160,544	161,807
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	97,299	98,065
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	45,731	46,090
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	24,325	24,516
Ellsworth House's loans are secured by land and building with a carrying value at December 31, 2018, of \$1,046,500 and \$2,660,146, 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	557,122	565,096
Note payable to King County, no interest, principal due at maturity, December 6, 2030	173,992	173,992

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 6 - LONG-TERM DEBT, CONTINUED

	2018	2017
<u>Andrew's Arms, continued</u>		
Andrew's Arms' loans are secured by land and building with a carrying value at December 31, 2018, of \$219,531 and \$415,790, 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
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, 2018, of \$1,586,333 and \$7,332,009, 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	663,737	679,032
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	460,537	467,917
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	500,000	500,000
Note payable to King County Home Program, non-interest bearing, principal due at maturity, December 15, 2045	950,000	950,000

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 6 - LONG-TERM DEBT, CONTINUED

	<u>2018</u>	<u>2017</u>
<u>Highland Gardens, continued</u>		
Note payable to King County Community Services Divisions, non-interest bearing, principal due at maturity, May 30, 2032	\$ 535,000	\$ 535,000
Note payable to King County Housing and Community Development Program, non-interest-bearing, principal due at maturity, June 30, 2017, note was forgiven April 2, 2019	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, 2018, of \$858,286 and \$2,600,414, respectively.		
<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
Notes payable to Impact Capital; interest at 6.2%; monthly payments of accrued interest only; outstanding principal and accrued unpaid interest payable in full on or before March 31, 2020; principal balances repaid April 4, 2019	13,631	-
Unsecured promissory notes to accredited lenders at 2%-3% simple interest paid annually; various maturity dates with principal and accrued but unpaid interest due on or before the maturity date of each note	<u>640,000</u>	<u>40,000</u>
Total long-term debt	20,294,955	19,915,927
Less unamortized debt issuance costs	<u>(164,085)</u>	<u>(174,806)</u>
Total long-term debt less unamortized debt issuance costs	<u>\$20,130,870</u>	<u>\$19,741,121</u>

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 6 - LONG-TERM DEBT, CONTINUED

Interest has not been imputed on any of the above notes payable that carry below-market rate interest as they are payable to governmental entities 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, excluding debt issuance costs, are as follows:

2019	\$	268,861
2020		258,337
2021		884,333
2022		304,176
2023		526,381
Forgivable debt		1,258,368
Thereafter		<u>16,794,499</u>
	\$	<u>20,294,955</u>

NOTE 7 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash investing and financing activity included the following:

	<u>2018</u>	<u>2017</u>
Construction in progress financed with construction costs payable	<u>\$ 328,349</u>	<u>\$ 20,748</u>
Donation of property		<u>\$ 11,140,390</u>

During 2018 and 2017, cash paid for interest, net of amounts capitalized, was \$217,279 and \$209,918, respectively.

NOTE 8 - RESTRICTED DEPOSITS

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

	<u>2018</u>	<u>2017</u>
Operating reserve	\$ 200,973	\$ 198,086
Replacement reserve	568,559	512,749
Donor-restricted cash	<u>177,080</u>	<u>232,498</u>
	<u>\$ 946,612</u>	<u>\$ 943,333</u>

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 8 - RESTRICTED DEPOSITS, CONTINUED

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 9 - 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 amounts in these investments at December 31 are as follows:

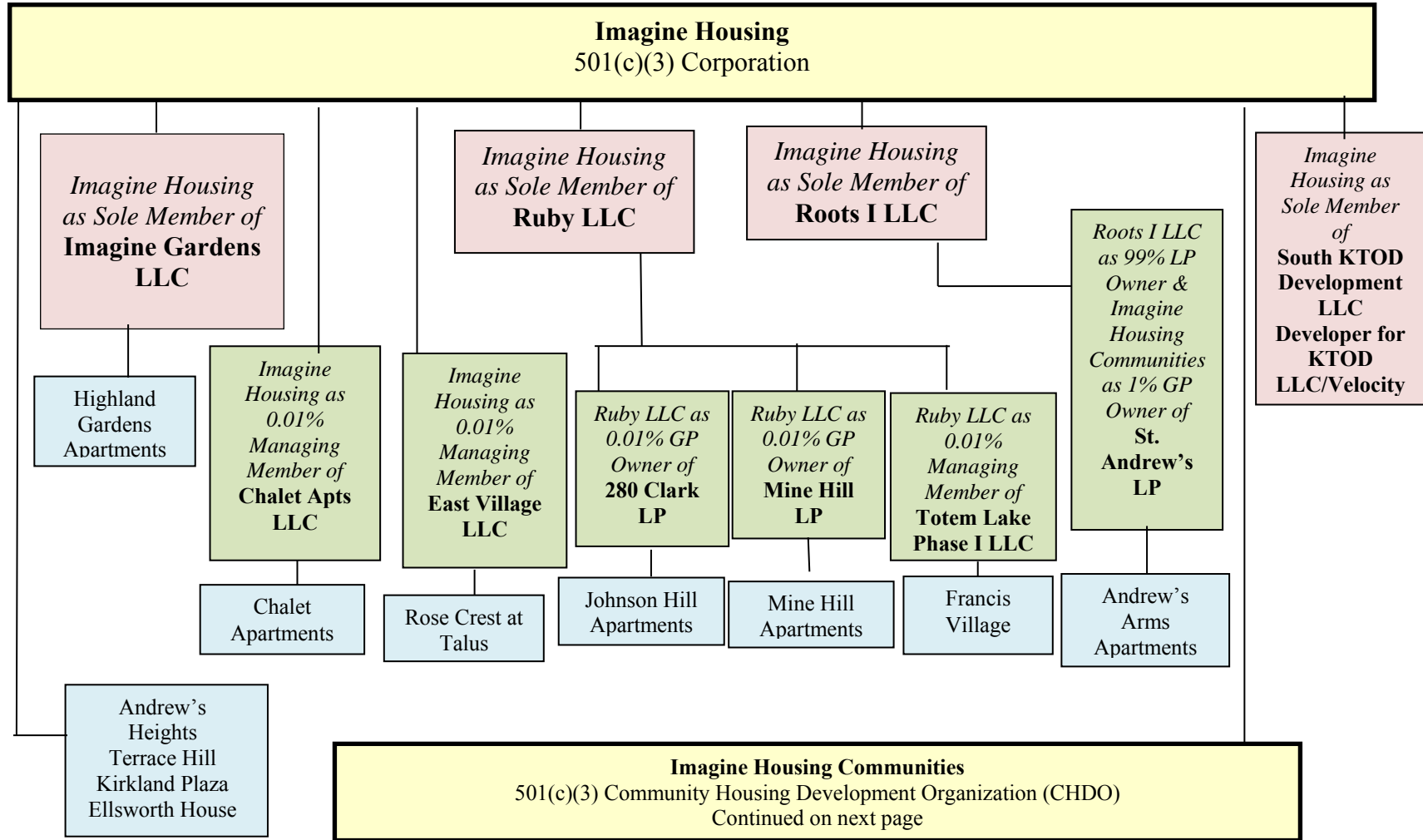
<u>Affiliate</u>	<u>Partnership/Limited Liability Company</u>	<u>2018</u>	<u>2017</u>
Imagine Housing	East Village LLC	\$ 202,106	\$ 202,123
	Chalet Apartments LLC	159,745	159,751
RV Manager LLC	KTOD LLC	868	908
Ruby LLC	Mine Hill Limited Partnership	19,456	19,467
	280 Clark Limited Partnership	39,962	39,970
	Totem Lake Phase I LLC	(195)	(196)
Athene Manager LLC	Athene LLC	1,559	1,619
30Bellevue Manager LLC	30Bellevue LLC	<u>1,260</u>	<u>1,260</u>
Total investment in LPs and LLCs		<u>\$ 424,761</u>	<u>\$ 424,902</u>

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

	<u>2018</u>	<u>2017</u>
Total assets	\$ 90,773,135	\$ 79,702,654
Total liabilities	52,631,068	53,861,868
Operating revenue	4,110,328	3,125,475
Net income before depreciation and amortization	685,442	879,362

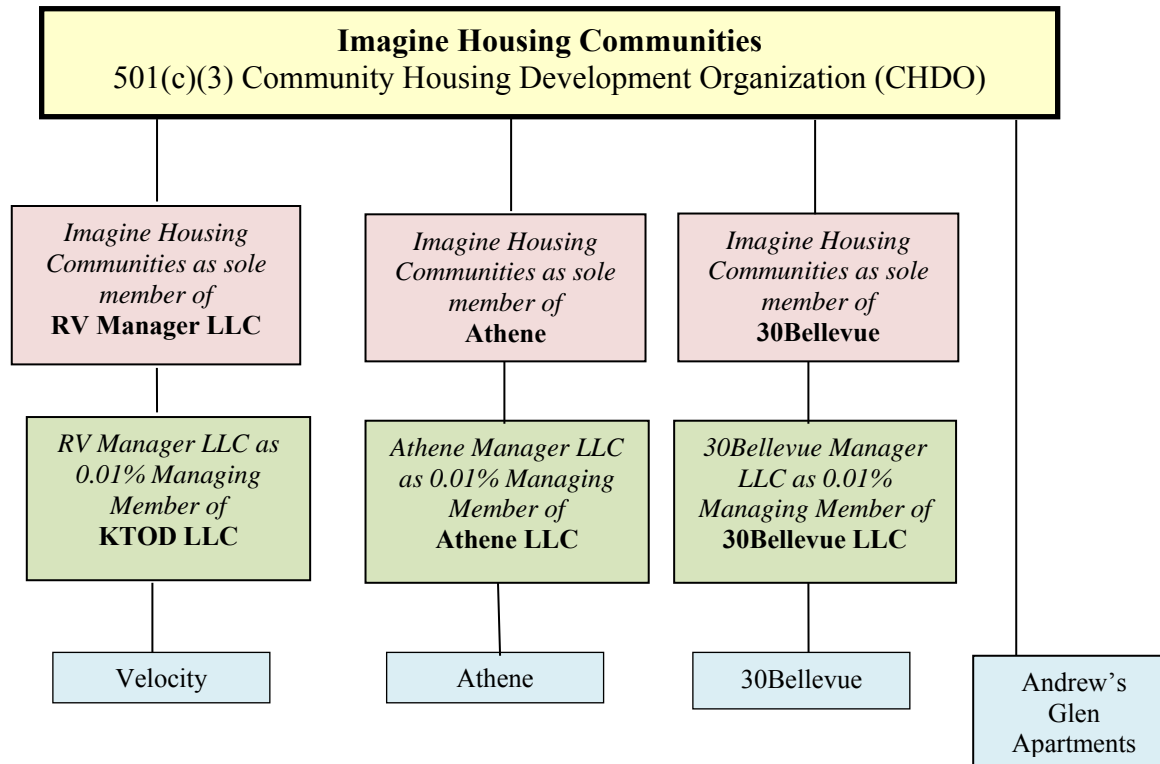
IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 10 - RELATED PARTY TRANSACTIONS



IMAGINE HOUSING AND AFFILIATES
 Notes to Consolidated Financial Statements
 For the Year Ended December 31, 2018
 (With Comparative Totals for 2017)

NOTE 10 - RELATED PARTY TRANSACTIONS, CONTINUED



IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 10 - RELATED PARTY TRANSACTIONS, CONTINUED

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

	<u>2018</u>	<u>2017</u>
Development fees		\$ 1,189,398
Company management fees	\$ 189,009	86,330
Case management fees	<u>155,802</u>	<u>142,322</u>
	<u>\$ 344,811</u>	<u>\$ 1,418,050</u>

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

	<u>2018</u>	<u>2017</u>
Development fees	\$ 775,696	\$ 1,272,908
Operating deficit advance	191,775	231,775
Company management fees	41,429	16,391
Case management fees	67,128	48,145
Reimbursable development costs	40,182	79,733
Reimbursable operating costs	<u>3,638</u>	<u>4,067</u>
	<u>\$ 1,119,848</u>	<u>\$ 1,653,019</u>

In 2017, Imagine Housing forgave a related party note receivable, including interest, of \$409,139.

In addition, during 2018 and 2017, the Organization incurred rental assistance expense to a limited partnership of \$76,904 and \$69,684, respectively. At December 31, 2018 and 2017, \$18,703 and \$18,837, respectively, remained payable to the limited partnership.

NOTE 11 - 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 \$211,137 and \$202,539 were received in 2018 and 2017, respectively.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 11 - 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 \$503,687 and \$501,795 were received in 2018 and 2017, respectively. The current five-year contract expires on January 31, 2020.

NOTE 12 - 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 \$13,886 and \$13,133 were paid in 2018 and 2017, 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 \$34,500 and \$34,032 were paid in 2018 and 2017, respectively.

NOTE 13 - 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 \$31,170 and \$19,031 in 2018 and 2017, respectively.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 14 - 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 six low-income housing limited liability companies; East Village LLC, Chalet Apartments LLC, Totem Lake Phase I LLC, KTOD LLC, Athene LLC, and 30Bellevue 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, 2018 and 2017, no such adjustments were made.

NOTE 15 - 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, 2018, the uninsured cash balances totaled \$2,600,366. The Organization has not experienced any losses in such accounts.

NOTE 16 - RESTRICTIONS/LIMITATIONS ON NET ASSETS

Net assets with restrictions designated by the Board

Imagine Housing has designated certain replacement and operating reserves for repairs and operating deficits at its properties. Also, Imagine Housing has established organizational reserves that can be made available for operating deficits, predevelopment costs to grow its ability to develop more affordable apartment homes, capital improvements to sustain the longevity of its current 14 properties, and expanded supportive services to residents to transform the lives of youth, adults, veterans and seniors.

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 16 - RESTRICTIONS/LIMITATIONS ON NET ASSETS, CONTINUED

Changes in net assets of the board designated fund consist of the following for the years ended December 31, 2018 and 2017:

	Property Replacement Reserves	Property Operating Reserves	Organizational Reserves	Totals
Balance January 1, 2017	\$ 390,885	\$ 220,308	\$ 1,047,500	\$ 1,658,693
Deposits	50,402	12,037		62,439
Interest	138	64	2,764	2,966
Transfer to designated			87,765	87,765
Balance December 31, 2017	441,425	232,409	1,138,029	1,811,863
Deposits	49,300	11,022	27,500	87,822
Interest	158	70	3,252	3,480
Transfer to undesignated			(206,746)	(206,746)
Balance December 31, 2018	<u>\$ 490,883</u>	<u>\$ 243,501</u>	<u>\$ 962,035</u>	<u>\$ 1,696,419</u>

Net assets with donor restrictions

Net assets with donor restrictions are available for the following purpose or periods:

	2018	2017
Housing development		\$ 32,704
Supportive services	\$ 138,387	35,252
Asset management - capital improvements	177,080	247,976
Social impact investments	16,094	21,016
Donation restricted for future periods, Note 4	90,631	97,589
Administrative		500
Land lease, Note 5	335,000	335,000
	<u>\$ 757,192</u>	<u>\$ 770,037</u>

NOTE 17 - CONSTRUCTION IN PROGRESS

At December 31, 2018 and 2017, the construction in progress account consisted of the following projects and their related costs:

	2018	2017
Esterra Park	\$ 1,186,884	\$ 66,184
Other	21,815	4,443
	<u>\$ 1,208,699</u>	<u>\$ 70,627</u>

IMAGINE HOUSING AND AFFILIATES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

NOTE 18 - SUBSEQUENT EVENTS

On February 6, 2019, the Organization's property manager was the victim of an electronic communication fraud. The Organization's loss is approximately \$25,000. Management believes that they will be successful in recovering these funds.

The Organization has evaluated subsequent events through June 17, 2019, which is the date the financial statements were available to be issued, and has determined that there are no other subsequent events that require recognition or additional disclosure.

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position Data
December 31, 2018

ASSETS

Current assets:

1120	Cash - operations	\$ 1,999,455
1121	Cash - construction	<u>26,171</u>
1130	Tenant receivable	<u>42,033</u>
1130N	Net tenant receivable	<u>42,033</u>
1135	Accounts receivable - HUD	<u>31,486</u>
1140	Accounts receivable - operations	<u>167,057</u>
1145	Accounts receivable - entity	<u>416,165</u>
1200	Prepaid expenses and deposits	<u>131,914</u>
1100T	Total current assets	<u>2,814,281</u>
1191	Tenant deposits held in trust	<u>112,402</u>
1330	Other reserves - operating and board-designated	<u>2,643,031</u>
1300T	Total reserve deposits	<u>2,643,031</u>

Buildings and equipment:

1410	Land	16,561,991
1420	Buildings	24,009,716
1460	Furnishings	658,680
1465	Office furniture and equipment	76,552
1490	Leasehold improvements	<u>6,992</u>
1400T	Total fixed assets	41,313,931
1495	Accumulated depreciation	<u>(9,357,478)</u>
1400N	Net fixed assets	<u>31,956,453</u>

Other assets:

1515	Investments - entity	424,761
1520	Deferred financing costs, net	75,558
1590	Due from limited partnerships and limited liability companies	703,683
1590	Construction in progress	1,208,699
1590	Miscellaneous other assets	<u>115,908</u>
1500T	Total other assets	<u>2,528,609</u>
1000T	Total assets	<u>\$ 40,054,776</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Financial Position Data, Continued
December 31, 2018

LIABILITES AND NET ASSETS

Current liabilities:

2110	Accounts payable - operations	\$	250,629
2111	Accounts payable - construction/development		328,349
2113	Accounts payable - entity		18,704
2120	Accrued wages payable		39,985
2131	Accrued interest payable		22,044
2170	Mortgages payable - short-term		268,861
2210	Prepaid rent		<u>71,202</u>
2122T	Total current liabilities		<u>999,774</u>
2191	Tenant deposits held in trust		<u>98,961</u>

Long-term liabilities:

2320	Mortgages or notes payable		20,026,094
2330	Interest on loans or notes payable (long term)		32,295
2340	Debt issuance costs, net		<u>(164,085)</u>
2300T	Total long term liabilities		<u>19,894,304</u>
2000T	Total liabilities		<u>20,993,039</u>

Net assets:

3131	Net assets without donor restrictions		18,304,545
3132	Net assets with donor restrictions		<u>757,192</u>
3130	Total net assets		<u>19,061,737</u>
2033T	Total liabilities and net assets	\$	<u><u>40,054,776</u></u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Activities Data and Net Assets
For the Year Ended December 31, 2018

		Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue:				
5120	Rent revenue - gross potential	\$ 2,085,667		\$ 2,085,667
5121	Tenant assistance payments	<u>961,674</u>		<u>961,674</u>
5100T	Total rent revenue	<u>3,047,341</u>		<u>3,047,341</u>
5220	Vacancy	(50,731)		(50,731)
5250	Rental concessions	<u>(1,825)</u>		<u>(1,825)</u>
5200T	Total vacancies	<u>(52,556)</u>		<u>(52,556)</u>
5152N	Net rental revenue	<u>2,994,785</u>		<u>2,994,785</u>
5410	Financial revenue - project operations	<u>15,272</u>		<u>15,272</u>
5400T	Total financial revenue	<u>15,272</u>		<u>15,272</u>
5910	Laundry and vending revenue	19,822		19,822
5920	Tenant charges	9,760		9,760
5970	Gifts and contributions	1,370,921	\$ 131,683	1,502,604
5960	Expiration of gift donor restrictions	40,928	(40,928)	
5990	Miscellaneous	<u>361,210</u>		<u>361,210</u>
5900T	Total other revenue	<u>1,802,641</u>	<u>90,755</u>	<u>1,893,396</u>
5000T	Total revenue	<u>4,812,698</u>	<u>90,755</u>	<u>4,903,453</u>
Expenses:				
6210	Advertising & marketing	1,958		1,958
6250	Other renting expense	3,835		3,835
6310	Office salaries	1,511,825		1,511,825
6311	Office expenses	246,853		246,853
6320	Property management fee	122,978		122,978
6330	Manager salaries	152,622		152,622
6340	Legal expense - project	10,931		10,931
6350	Audit expense	43,740		43,740
6370	Bad debts	20,372		20,372
6390	Miscellaneous administrative expense	<u>222,248</u>		<u>222,248</u>
6263T	Total administrative expenses	<u>2,337,362</u>		<u>2,337,362</u>
6450	Electricity	120,933		120,933
6451	Water	99,552		99,552
6452	Gas	3,415		3,415
6453	Sewer	<u>187,592</u>		<u>187,592</u>
6400T	Total utilities expense	<u>411,492</u>		<u>411,492</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Activities Data and Net Assets, Continued
For the Year Ended December 31, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Expenses, Continued:			
6510 Maintenance payroll	\$ 119,385		\$ 119,385
6515 Supplies (janitor)	145,094		145,094
6520 Contracts (repairs & maintenance)	202,180		202,180
6525 Garbage and trash removal	90,827		90,827
6530 Security payroll/contract	28,662		28,662
6500T Total operating and maintenance expense	<u>586,148</u>		<u>586,148</u>
6710 Property taxes	61,297		61,297
6711 Payroll taxes (projects share)	162,420		162,420
6720 Property and liability insurance (hazard)	94,719		94,719
6722 Workmen's compensation	21,909		21,909
6723 Health insurance and other employee benefits	269,948		269,948
6790 Miscellaneous taxes, licenses, permits and insurance	20,142		20,142
6700T Total taxes and insurance	<u>630,435</u>		<u>630,435</u>
6820 Interest on first mortgage	218,305		218,305
6830 Interest: amortization of debt issuance costs	10,721		10,721
6890 Lease expenses	94,097		94,097
6800T Total financial expenses	<u>323,123</u>		<u>323,123</u>
6000T Total cost of operations before amortization and depreciation	<u>4,288,560</u>		<u>4,288,560</u>
5060T Profit (loss) before depreciation and depreciation	524,138	\$ 90,755	614,893
6600 Depreciation	752,141		752,141
6610 Amortization	3,333		3,333
5060N Operating profit or (loss)	<u>(231,336)</u>	<u>90,755</u>	<u>(140,581)</u>
7105 Capital grants and contributions	206,862	(103,600)	103,262
7190 Other expenses	(214,293)		(214,293)
7100T Net entity expenses	<u>(7,431)</u>	<u>(103,600)</u>	<u>(111,031)</u>
3250 Change in net assets from operations	(238,767)	(12,845)	(251,612)
S1100-050 Net assets, beginning of year	<u>18,543,312</u>	<u>770,037</u>	<u>19,313,349</u>
3130 Net assets, end of year	<u>\$ 18,304,545</u>	<u>\$ 757,192</u>	<u>\$ 19,061,737</u>

IMAGINE HOUSING AND AFFILIATES
Consolidated Statement of Cash Flows Data
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

S1200-010	Rental receipts	\$ 3,009,778
S1200-020	Interest receipts	15,272
S1200-025	Gifts	1,519,190
S1200-030	Other operating receipts	359,731
S1200-035	Entity/construction receipts	<u>103,262</u>
S1200-040	Total receipts	<u>5,007,233</u>
S1200-050	Administrative expenditures	(594,998)
S1200-070	Management fees	(112,247)
S1200-090	Utilities	(406,305)
S1200-100	Salaries and wages	(1,768,172)
S1200-110	Operating and maintenance	(472,365)
S1200-115	Lease payments	(93,786)
S1200-120	Real estate taxes	(61,297)
S1200-140	Property insurance	(111,689)
S1200-150	Miscellaneous taxes and insurance	(491,108)
S1200-160	Tenant security deposits	(6,585)
S1200-170	Other operating expenses	(1,353)
S1200-180	Interest on mortgages payable	(215,129)
S1200-225	Entity disbursements	<u>(211,740)</u>
S1200-230	Total disbursements	<u>(4,546,774)</u>
S1200-240	Net cash provided (used) by operating activities	<u>460,459</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

S1200-255	Net withdrawals from (deposits to) other reserves	112,164
S1200-330	Net purchase of fixed assets	(32,930)
S1200-340	Due from limited partnerships and limited liability companies	576,270
S1200-345	Entity/construction investing activities	<u>(809,723)</u>
S1200-350	Net cash provided (used) by investing activities	<u>(154,219)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

S1200-365	Proceeds from mortgages, loans or notes payable	613,631
S1200-370	Principal payments on mortgages payable	(234,603)
S1200-450	Entity financing activities	8,490
S1200-455	Entity/construction financing activities	<u>(20,748)</u>
S1200-460	Net cash provided (used) by financing activities	<u>366,770</u>
S1200-470	Net increase (decrease) in cash	673,010
S1200-480	Cash and cash equivalents, beginning of year	<u>1,352,616</u>
S1200T	Cash and cash equivalents, end of year	<u>\$ 2,025,626</u>

IMAGINE HOUSING AND AFFILIATES
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Identifying Number</u>	<u>Amounts Awarded to Subrecipients</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 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/I		997,388
Highland Gardens	14.218	D22342D		148,231
Passed through Enterprise Community Partners:				
Imagine Housing	14.218	None		50,000
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			-	1,977,316

IMAGINE HOUSING AND AFFILIATES
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended December 31, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Contract Identifying Number	Amounts Awarded to Subrecipients	Federal Expenditures
<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	\$ -	\$ 500,000
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		950,000
Total HOME Investment Partnerships Program			<u>-</u>	<u>3,775,347</u>
<u>Section 8 Housing Assistance Payments Program</u>				
Passed through Contract Management Services:				
Ellsworth House	14.195	WA190004002		503,687
Kirkland Plaza	14.195	WA190004013		211,137
Total Section 8 Housing Assistance Payments Program			<u>-</u>	<u>714,824</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>6,467,487</u>

IMAGINE HOUSING AND AFFILIATES
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended December 31, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Contract Identifying Number	Amounts Awarded to Subrecipients	Federal Expenditures
<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	\$ -	\$ 234,174
Total VA Homeless Providers Grant and Per Diem Program			-	234,174
Total U.S. Department of Veterans Affairs			-	234,174
Total Federal Expenditures			\$ -	\$ 6,701,661

IMAGINE HOUSING AND AFFILIATES
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) presents the federal grant activity of Imagine Housing and Affiliates, under programs of the federal government for the year ended December 31, 2018. 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Imagine Housing and Affiliates elected to use the 10 percent de minimis indirect cost rate for federal awards made on or after December 26, 2014, and for funding increments (additional funding on existing awards) with modified terms and conditions that are awarded on or after that date.

NOTE C – SUBRECIPIENTS

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

IMAGINE HOUSING AND AFFILIATES
Notes to Schedule of Expenditures of Federal Awards, Continued
For the Year Ended December 31, 2018

NOTE D - 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, 2018, 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 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
	D37860I	6/30/2061	350,000
Highland Gardens	D22342D	6/30/2017	148,231
<u>U. S. DEPARTMENT OF HOUSING AND</u>			
<u>URBAN DEVELOPMENT</u>			
<u>Community Development Block</u>			
<u>Grants/Entitlement Grants, continued:</u>			
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>HOME Investment Partnerships Program:</u>			
Passed through State of Washington			
Department of Commerce			
Highland Gardens	95-419-4A	12/31/2058	\$ 500,000
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>\$ 5,702,663</u>



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, 2018, 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 June 17, 2019.

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.

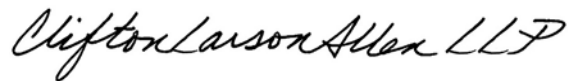
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



CliftonLarsonAllen LLP

Bellevue, Washington
June 17, 2019



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, 2018. 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, 2018.

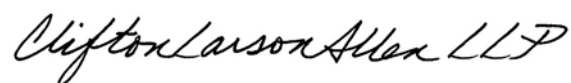
Report on Internal Control Over Compliance

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.



CliftonLarsonAllen LLP

Bellevue, Washington
June 17, 2019

IMAGINE HOUSING AND AFFILIATES
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2018

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 None reported

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 None reported

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 (CDBG)

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, 2018

Section II - Financial Statement Findings:

No matters related to the consolidated financial statements were reported.

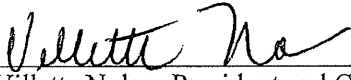
Section III - Federal Award Findings and Questioned Costs

No matters related to federal awards were reported.

IMAGINE HOUSING AND AFFILIATES
For the Year Ended December 31, 2018

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 
Villette Nolon, President and CEO
Imagine Housing
Taxpayer Identification Number: 94-3110312

6/17/19
Date

By 
Garrett Guiler, Board Chairperson
Imagine Housing

6/17/19
Date

IMAGINE HOUSING AND AFFILIATES
For the Year Ended December 31, 2018

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

6/17/19
Date

IMAGINE HOUSING AND AFFILIATES
For the Year Ended December 31, 2018

AUDITOR'S TRANSMITTAL LETTER

S3200-005	Audit Firm ID (UII)	01029
S3200-010	Audit Firm	CliftonLarsonAllen LLP
S3200-020	Lead Auditor First Name	Lillian
S3200-040	Lead Auditor Last Name	McDonell
S3200-045	Auditor Contact Title	Principal
S3200-050	Auditor Street Address Line 1	10700 Northrup Way
S3200-060	Auditor Street Address Line 2	Suite 200
S3200-070	Auditor City	Bellevue
S3200-080	Auditor State	Washington
S3200-090	Auditor Zip Code	98004
S3200-100	Auditor Zip Code Extension	
S3200-110	Telephone Number	425-250-6100
S3200-120	Audit Firm TIN	41-0746749
S3200-130	Date of Independent Auditor's Report	June 17, 2019