WCRA ANNUAL REPORT 2016

Meeting Washington's Affordable Housing Needs Through Partnership

Washington Community Reinvestment Association

MISSION STATEMENT

To be a catalyst for the creation and preservation of affordable housing in Washington state.

To expand resources for real estate based community development in Washington state.

To be a voice for its member financial institutions on affordable housing and community development issues.

To provide a dynamic risk sharing vehicle to maximize private investment in community development throughout Washington state.

To operate within a strategic and financially prudent structure.

To work with public sector entities to promote public/private partnerships that achieve maximum leverage of public dollars.

To provide value to its members and the communities they serve that will generate and sustain support for WCRA's long term operation and success.

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LILAC PLACE

Lilac Place is a 38-unit affordable housing property located in Woodland. The borrower is Housing Opportunities of Southwest Washington (HOSWWA), formerly known as the Longview Housing Authority. Funding partners include Clark County, the City of Woodland, Federal Home Loan Bank, and US Bancorp Community Development Corporation, as the tax credit investor. The Longview Housing Authority was formed in 1975 in order to manage Section 8 rental assistance in the City of Longview. Their service area has increased to include the unincorporated areas of Cowlitz, Lewis, Wahkiakum and Pacific Counties as well as the entire city of Longview. Programs such as transitional housing, affordable housing and housing subsidies are offered, and they recently expanded their programs to include the housing needs of veterans. The HOSWWA mission is to promote and provide stable, affordable housing, and supportive services in an environment that nurtures individuals and families while encouraging personal responsibility.

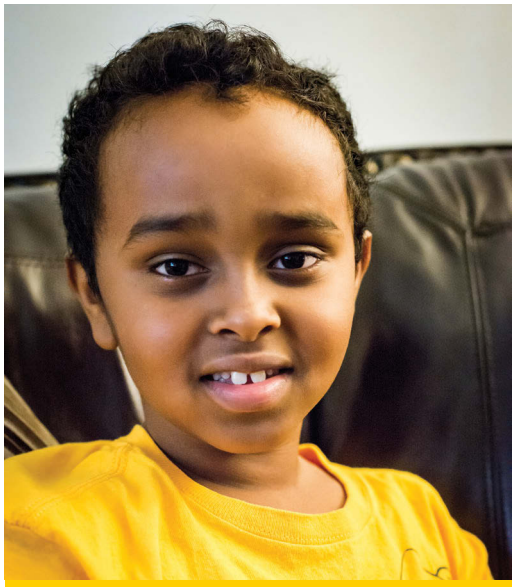
Lilac Place Apartments' 38 units are located within six 2-and 3-story buildings. The units are built around a central courtyard, which includes a playground, community garden, picnic areas and parking for bicycles and cars. The units are rented to tenants earning no more than 30% - 60% of AMI, with 75% of the units reserved for the formerly homeless. In addition, Lilac Place, working with the Emergency Support Shelter of Longview (ESS), has a mission to serve victims of domestic abuse by offering affordable permanent housing and supportive services. The apartments are a mix of one, two and three bedroom units, and most have either a deck or patio. Common amenities include a community room which is frequently used for birthday parties, computer area, restrooms and a laundry room. A manager and social worker are on site and available to assist tenants with a diverse range of services. Pairing with the ESS, Lilac Place offers a variety of classes to its residents including computer proficiency, resume writing, and job application skills. Recently a Microsoft Word training class was offered and all attendees who successfully completed the course earned a certificate of completion and were also awarded a used laptop.

April Anderson

April has been living at Lilac Place for two years with her young daughter. After leaving an abusive relationship, April found herself staying with friends and family, and always felt that she and her daughter were one couch away from homelessness. Moving into Lilac Place has provided her with counseling and assistance scheduling doctor appointments. April appreciates the support of the community, the classes that are offered on-site, and the responsive management. Having a safe, affordable place to live has changed her life for the better by allowing her to focus on raising her daughter. April says, "I love this community and the opportunities it has given me".

Tiffany Jones – Hulsebus and Troy

Tiffany has recently moved to Lilac Place with her two-year-old son Troy. She was previously living with family, but helping to pay rent and utilities was difficult to manage with a newborn and not many job prospects. Tiffany is currently employed as a substitute teacher and her goal is to become a full-time special needs teacher. She enjoys the peaceful environment of Lilac Place and is impressed with the management of the property. Troy is also happy with his new apartment and loves to sleep in his car-shaped bed and help his mom clean up. Moving into Lilac Place has allowed Tiffany to pursue her dream of becoming a full time teacher.



Mohamed Awad and Sucdi Mohamud

Mohamed, Sucdi and their five children have lived in Glennwood Townhomes since 2012, when they relocated from nearby Sunset Terrace apartments in Renton. Mohamed works for the Refugee Women's Alliance Program in Seattle. Their apartment is tidy and cozy, with maps and drawings decorating the walls. Both Mohamed and Sucdi appreciate the responsiveness of the Renton Housing Authority and are thankful for the opportunities provided to their family. Their son Yusuf says he enjoys living in the community.

GLENNWOOD TOWNHOMES

The borrower on this property is the Housing Authority of the City of Renton (RHA). King County and the City of Renton are funding partners. Since 1941, RHA has provided people with low incomes decent, quality, affordable housing in a safe environment. They own and manage over 750 units of affordable housing at 14 different properties. Through continuing partnerships with clients, service providers and other groups, RHA's vision is to constantly work to enhance their housing programs and provide opportunities for those in the community they serve.

Glennwood Townhomes consist of eight 4-bedroom townhomes located in Renton. The homes are lining one block, straight in a row, surrounded by flower beds and trees. Behind the buildings is space for parking and a playground surrounded by benches. All units are rented to tenants earning 30% - 50% of AMI, with one townhome unit reserved for persons with special needs. The rooms in each unit are spacious with large windows. The community is close to public transportation, a library and shopping centers.

John & Lyndon Subiel

Brothers John and Lyndon along with the rest of their family had previously lived in Des Moines, and moved to Renton specifically to live at the Glennwood Townhomes community in 2015. The amount of rent they had been paying was becoming unmanageable. Their family occupies the handicapped accessible unit at Glennwood and they appreciate the new accommodations, as the apartment meets both their physical and financial needs. The entire family likes the large townhome and the extra living space. John enjoys taking his younger sister to the playground at the complex. He thinks the apartment is perfect because they have everything they need.

KIRKLAND AVENUE TOWNHOMES

Kirkland Avenue Townhomes is an 18-unit affordable housing project in Renton. RHA also owns this property. Funding partners are the Washington State Department of Commerce Housing Trust Fund, King County, and the City of Renton. The 18 units are divided between three strikingly colored buildings and include 14 townhouse style apartments and 4 flats. All housing units are rented at 50% of AMI. The buildings are of modular construction, decided upon due to overall cost savings and the sustainable building features. The living areas are open and spacious with a modern feel. Large windows throughout the units provide natural light and a view of the landscaped grounds, which still feature old growth trees preserved by RHA. Common amenities include a parking lot, children's play area and community garden. The townhomes are also located within walking distance to the North Highlands Neighborhood Center, which offers basketball courts, community kitchen, multi-use field, picnic area, outdoor playground, and tennis courts to members of the community.

Ashi Ali

Ashi has lived at Kirkland Avenue Townhomes for two years. She lives by herself with the help of a part-time live-in aid. She was involved in an accident in 2005 which left her disabled and unable to work. Ashi had not used housing assistance prior to her accident and thanks the Renton Housing Authority for taking care of her. She is very fond of the management and believes they go out of their way to assist residents. Having a safe, affordable place to call home means more to Ashi than she could ever describe because she would not be able to afford to live on her own otherwise.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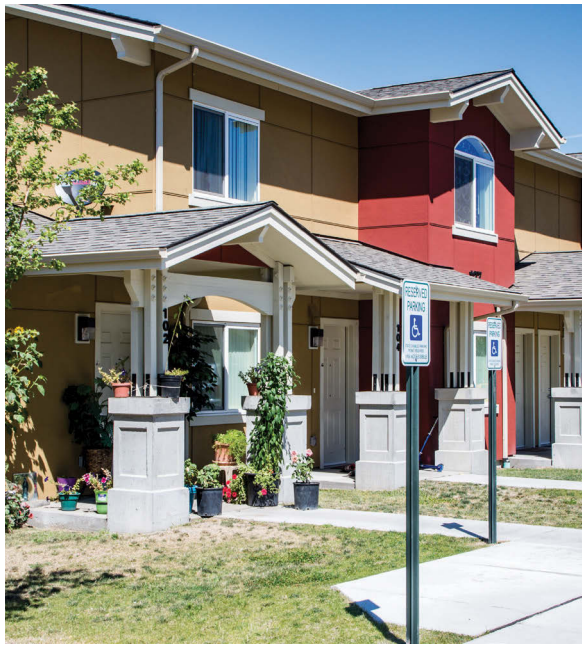
1508 B

VALLE LINDO II



Valle Lindo II is a 68-unit affordable housing development serving farmworkers and their families in Walla Walla. The borrower is Walla Walla Housing Authority (WWHA), and funding partners are the Washington State Department of Commerce Housing Trust Fund and the National Equity Fund as the tax credit investor. Valle Lindo II is the final phase of the redevelopment and preservation of the Farm Labor Homes project, which provided essential housing but in buildings which were severely dilapidated. Phase I of the project, which was completed in 2011, replaced the first 60 units of housing and Phase II replaced the remaining 68. Both phases wrap around the Head Start facility, which provides comprehensive childcare services and is operated by the Migrant Labor Council. Units are rented at 30 – 50% of AMI, including a number of 3 and 4 bedroom units suitable for large families. A majority of the 68 units are townhouse style units and include either a patio or balcony. Air conditioning is provided in all units. Common amenities include a large community building with management office, 3 meeting room/classrooms, computer area, and a community room with kitchen and storage. There is also a basketball court, BBQ area, playground and community gardens. A parking area is provided for residents. A creek and walking path are nearby.

GALBRAITH GARDENS

The 34-unit affordable housing development Galbraith Gardens is located in Walla Walla. The borrower is also WWHA, and the funding partners are the Washington State Department of Commerce Housing Trust Fund and Enterprise Community Investment, Inc., as the tax credit investor. The WWHA was formed in 1972 by the City of Walla Walla to provide a wide range of housing and shelter services to low-income individuals and families in the city. WWHA owns public housing and properties built with low income housing tax credits. It provides housing to persons with developmental disabilities, families, formerly homeless veterans, farmworkers and seniors. Since their inception, WWHA has increased affordable housing by almost 1200 units through a combination of development, acquisition, and vouchers.

Galbraith Gardens is a mix of one and two bedroom units in a park-like setting. The original buildings, all of which have been rehabilitated, were first built between 1949 and 1976. All units are rented at 50% AMI, and are reserved for households with at least one member over the age of 55. The apartments are outfitted with energy efficient Energy Star appliances and include air conditioning. The brick buildings are secure, smoke-free and served by elevators. The building interiors feature conveniently wide hallways, colorful flooring and art decorating the walls. Common amenities include on-site parking for residents, a sitting room, library, fitness room, community room with kitchen, and a laundry facility. There is also a communal garden with shaded seating which is shared and enjoyed by the residents.


PAHTO VILLAGE
310 S. Ahtanum Village, Wapato Washington
YAKAMA NATION HOUSING AUTHORITY

PAHTO VILLAGE

Pahto Village is a 41-unit apartment complex located in Wapato. The borrower is the Yakama Nation Housing Authority (YNHA). YNHA was formed in 1977 by the Confederated Tribes and Bands of the Yakama Nation in order to engage in or assist in the development and operations of low rent housing for qualified members of the Yakama Nation. YNHA owns approximately 700 housing units and provides services to another 4,000 low income tribal members who live within their jurisdiction. Pahto refers to Mt. Adams, one of the volcanoes within the Cascade Mountain Range.

Pahto Village functions as a homeless shelter for members of the Yakama Nation, including veterans. The YNHA reports a critical level of homelessness among tribal members and uses the shelter as a way to help members transition into permanent housing and tribal society. Pahto Village's 41 units are housed in five single story buildings surrounding a central courtyard. Each building includes four attached duplexes. One building also contains an additional attached unit for a manager along with a leasing office and shop space. Laundry rooms and storage facilities are shared by each duplex. Tribal members living at Pahto Village contribute to the community by working for YNHA. Some of the available positions include grounds maintenance, security, food preparation, and assisting in YNHA programs for the elderly and youth. Services available to residents at Pahto Village and all Yakama Nation Tribal Members include counseling, employment training and vocational rehabilitation.

The Capital Plus! *program assists nonprofit organizations that otherwise may not have access to financing. It is a partnership of the Washington Community Reinvestment Association and the Washington State Housing Finance Commission.*

Capital Plus! *is a $7.5-million-dollar fund for Washington nonprofits that need to finance housing, capital facilities owned and operated by the nonprofit, and/or equipment purchase or capital leases.*

Washington nonprofit organizations that serve or provide community services with consideration to lower income persons or persons with special needs are eligible to apply for financing.

Loans may be in any amount up to a maximum of $500,000 with terms up to 10 years.

Contact WCRA to learn more.

Tim Sampson

Tim Sampson is the first veteran in the country to benefit from the Tribal HUD-VASH program, a collaborative program between the Department of Housing and Urban Development and the Veterans Affairs Supportive Housing programs to provide permanent housing for homeless veterans. Tim is an accountant and veteran who experienced financial difficulties in the past and was forced into homelessness. He was previously living at a shelter in Yakima until he relocated to Pahto Village. Tim is seen here receiving his new apartment keys from Pahto Village employee Mike Seelatsee.

WORKING WITH HOUSING AUTHORITIES

WCRA is proud to partner with housing authorities throughout Washington State to provide safe, affordable housing to low-income families, the elderly and people with disabilities. Washington housing authorities not only offer affordable housing to over 60,000 families throughout the state, they deliver vital social services to the communities they serve as well. Housing authorities promote self-sufficiency by offering job training, money management counseling, and job search support. Many housing authorities run emergency shelters for the homeless and victims of domestic violence. They also create jobs for local communities by hiring contractors, construction, and maintenance workers to build new housing and to rehabilitate existing buildings. They contribute money to local communities through rental subsidies and rental voucher programs, and assist first time homebuyers.

WCRA HAS PROVIDED FUNDING FOR THE FOLLOWING HOUSING AUTHORITIES IN WASHINGTON STATE.

- Anacortes Housing Authority
- Bellingham Housing Authority
- Bremerton Housing Authority
- Housing Authority of Chelan County & the City of Wenatchee
- Housing Authority of Grant County
- Housing Opportunities of Southwest Washington (HOSWWA)
- Island County Housing Authority
- Kitsap County Housing Authority
- Housing Authority of Okanogan County
- Housing Authority of the City of Othello
- Joint Pacific County Housing Authority
- Renton Housing Authority
- Republic/Ferry County Joint Housing Authority
- Seattle Housing Authority
- Housing Authority of Skagit County
- Tacoma Housing Authority
- Vancouver Housing Authority
- Walla Walla Housing Authority
- Yakama Nation Housing Authority
- Yakima Housing Authority

CHAIR AND PRESIDENT'S LETTER


JOHN SWANSON, *Chair*


SUSAN M. DUREN, *President*

In reminiscing about the WCRA's 24th year in business, we are pleased to say it was exceedingly successful. All the balance sheet indicators increased. The net assets improved to $3,710,063 with cash and investments growing to an all-time high of $1,591,394 and the total loans outstanding grew to $94,734,320 including the pool loans, Capital Plus!, and reserve loans. It is hard to believe that we are almost a $100 million organization as we end this year with total assets of $98.6 million. Our first year with our affiliate 1200 Fifth LLC as agent bank received an excellent overall rating by the members who were very excited about the new reporting we now provide. We did the math covering all our production since inception in 1992 and have some very impressive numbers to share including the creation of 11,278 units of affordable rental housing. We also helped fund 159,132 square feet of economic development property including retail space, community buildings, child care and other services facilities, and education property. All this lending, thanks to our very generous member banks, is a grand total of $296,218,430!

New loan originations for the year exceeded $18.5 million which is a production level not realized since 2010. The total comprised 13 transactions including 5 Capital Plus loans. All the borrowers included a nonprofit organization, and a total of 492 affordable rental apartments were added to meet the growing need in Washington. Loan commitments were provided to communities in Buckley, Kennewick, Kirkland, Marysville, Pullman, Shelton, Seattle, Spokane, Tacoma, Vashon, and Wapato, where our first transaction to the Yakama Nation is located.

The loans that were closed during the year created 272 units of apartments with rental restrictions and over 24,000 square feet of commercial space in seven communities in Washington. Of the eight transactions, there was one each bond and economic development loan pool transaction, two Capital Plus! transactions, and the remaining four were part of the multifamily affordable loan pools. Although the WCRA makes loans to both for-profits and nonprofits, all the transactions closed were to benefit nonprofit entities. The contract covering our relationship with the Department of Commerce for construction oversight was renewed, allowing us to retain that very valuable partnership. We also added a new contract with National Equity Fund.

In review of our current total portfolio, all 139 loans are performing with no delinquencies and all payments have been made as agreed. We continue to carry out annual inspections of all the properties across the State where we enter 25% of the units. We check interiors for health and safety violations along with any exterior deferred maintenance, verify current occupancy, and suggest improvements to street appeal, if needed. Financial information on each property is reviewed and analyzed each year and a report of the debt service coverage and other portfolio information is provided to each bank member quarterly. We prepare other reports to members on an "on call" basis when requested. We pride ourselves in being the best servicer to our members and our borrowers.

Under the guidance of our Board of Directors, we receive excellent advice and direction. The Board members continue to be strong advocates for our mission and our Criticized Credit Advisory Committee and the Loan Committee review and impart thoughtful input to direct us in their valuable roles. The member bank financial commitments that provide the funds we need to complete our pool lending programs are critical to give us the ability to meet our mission and the Washington State Housing Finance Commission Capital Plus! program gives us additional funding for nonprofit borrowers. No question about it, we are so very fortunate!

2016 LOAN COMMITTEE

Lauren Jassny, The Commerce Bank of Washington – *Chair*

Scott Catton, Bank of America

Sergio Goncalves, Columbia Bank

Jon Shelton, First Sound Bank

Javier Guzman, JPMorgan Chase, N.A.

Dana Amrine, KeyBank

Fred Holubik, Kitsap Bank

Ric Gaunt, Umpqua Bank

Tim Grant, Washington Federal

Amy Mandell, Wells Fargo Bank

Susan M. Duren, WCRA

Dulcie Claassen, WCRA

2016 BOARD OF DIRECTORS

John Swanson, Umpqua Bank – *Chair*

Michael Dotson, Banner Bank – *Vice-Chair*

Susan Duren, WCRA – *President*

Jay Coleman, KeyBank – *Secretary*

Christine Roveda, Wells Fargo Bank – *Treasurer*

Alice Carr, JPMorgan Chase, N.A.

Paul Edwards, Washington State Housing Finance Commission

Mike Gilmore, Yakima Federal Savings & Loan Association

Lorie Hanson, Washington Trust Bank

Mark Hatate, Washington Federal

Diane Klontz, Washington State Department of Commerce

M.A. Leonard, Enterprise Community Partners

Judith Olsen, Impact Capital

WCRA 2016 MEMBERSHIP

1st Security Bank of Washington

Anchor Bank

Bank of America

Bank of the Pacific

Bank of the West

Banner Bank

Beneficial State Bank

Cashmere Valley Bank

Cathay Bank

Columbia Bank

The Commerce Bank of Washington

East West Bank

First Citizens Bank

First Federal Savings & Loan Association of Port Angeles

First Financial Northwest Bank

First Sound Bank

Heritage Bank

HomeStreet Bank

JPMorgan Chase, N.A.

KeyBank

Kitsap Bank

MUFG Union Bank, N.A.

North Cascades Bank – a division of Glacier Bank

Northern Trust Bank

Northwest Bank

Olympia Federal Savings & Loan Association

Opus Bank

Pacific Continental Bank

Riverview Community Bank

Seattle Bank

Skagit Bank

Sunwest Bank

Timberland Bank

Umpqua Bank

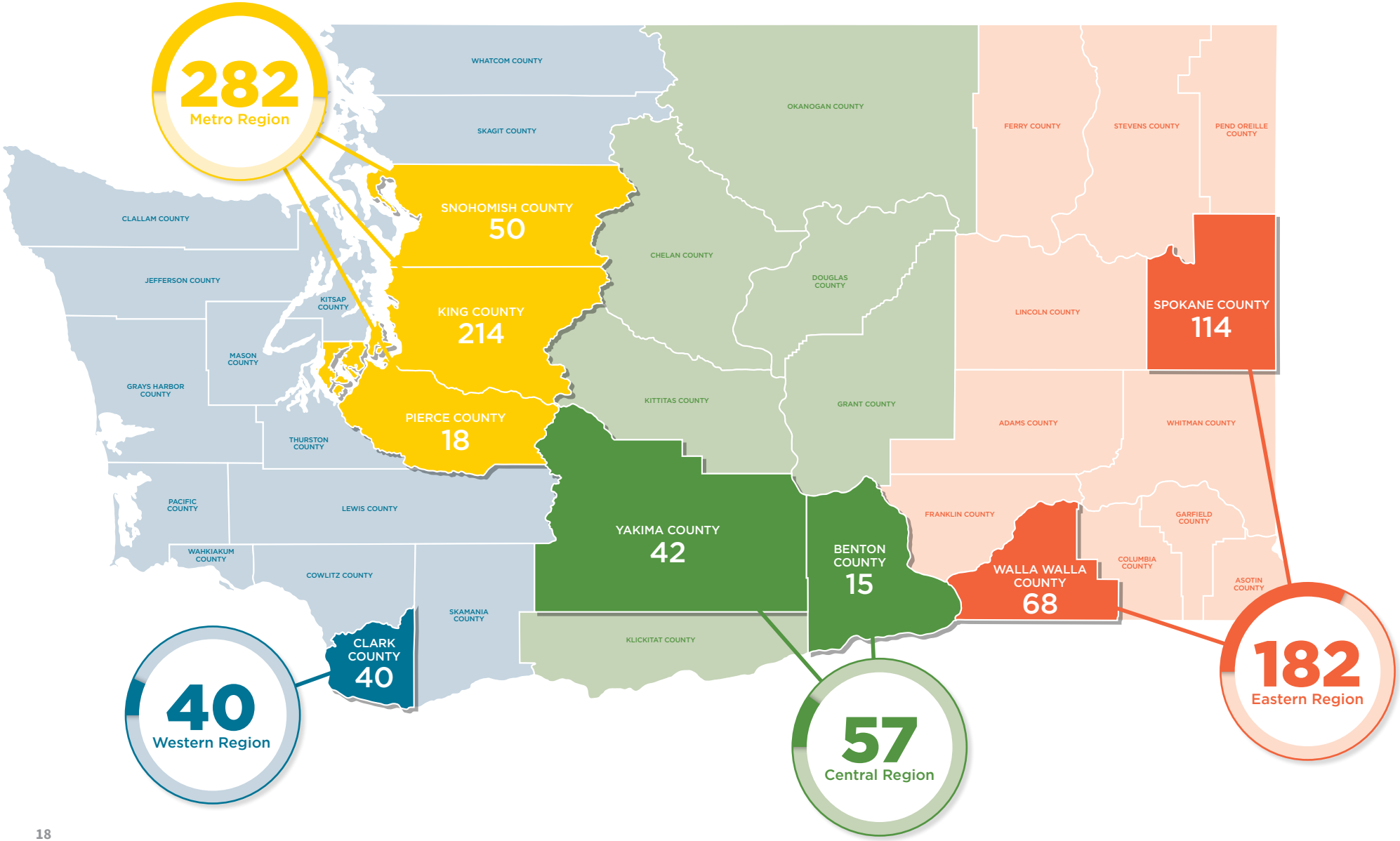
Washington Federal

Washington Trust Bank

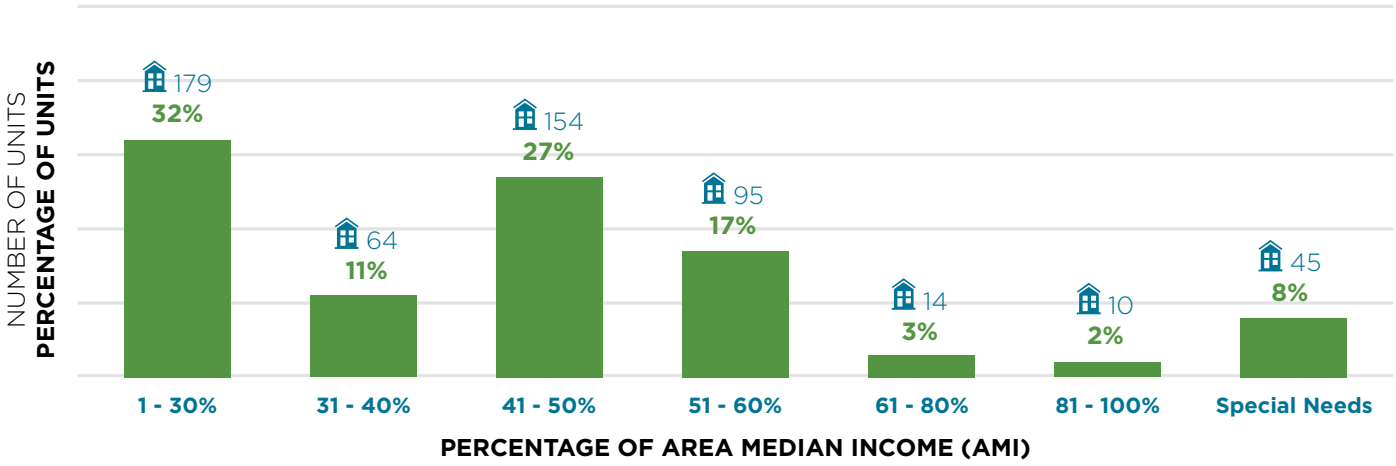
Wells Fargo Bank

Yakima Federal Savings & Loan Association

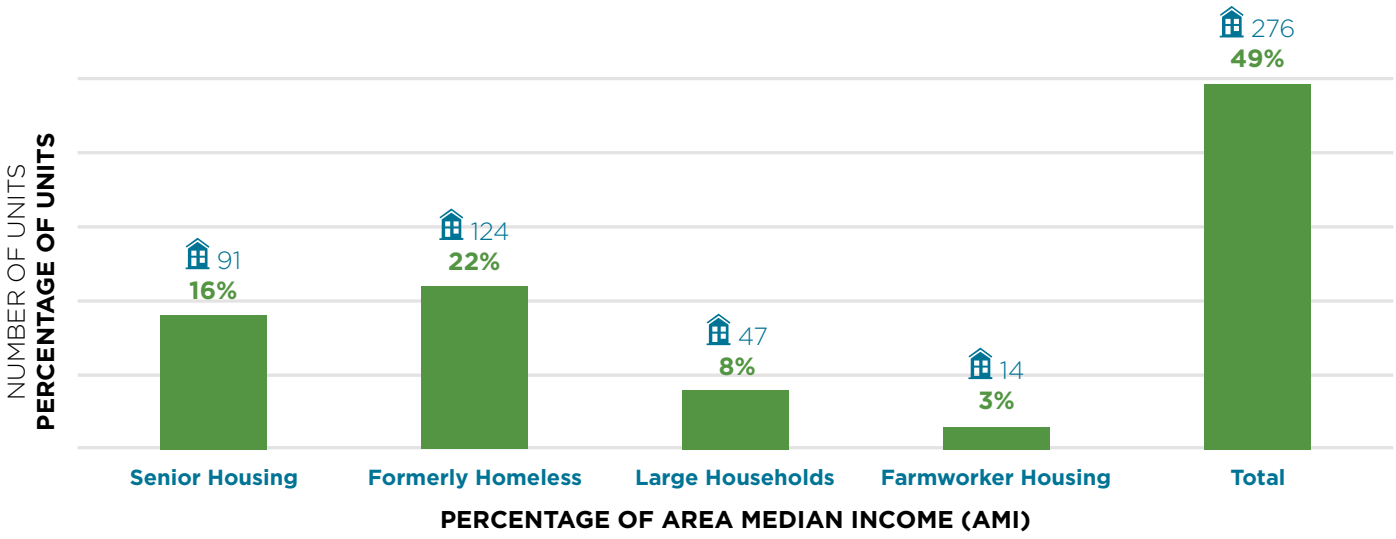
FY 2016 APPROVED AND FUNDED UNITS BY COUNTY



FY 2016 UNITS BY INCOME SERVED, PERCENTAGE OF AMI



FY 2016 UNITS RESERVED FOR SPECIFIC POPULATIONS



FY 2016 LOANS

Funded

Amount	*$6,910,000*
Number of Units	*288*
Sq. Ft. Economic Development	*18,614*

Approved

Amount	*$14,565,000*
Number of Units	*396*
Sq. Ft. Economic Development	*14,418*

REPORT OF INDEPENDENT AUDITORS AND CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

To the Board of Directors
Washington Community Reinvestment Association and Subsidiary

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Washington Community Reinvestment Association and Subsidiary (the Association), which comprise the consolidated statements of financial condition as of September 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Washington Community Reinvestment Association and Subsidiary as of September 30, 2016 and 2015, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Everett, Washington
November 16, 2016

WCRA AND SUBSIDARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

ASSETS

	September 30, 2016	September 30, 2015
CASH AND CASH EQUIVALENTS	$ 1,591,394	$ 1,423,008
INTEREST-BEARING DEPOSITS	1,676,006	1,663,707
INTEREST RECEIVABLE	499,457	482,590
ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	72,521	86,303
LOANS HELD FOR INVESTMENT - MEMBER INSTITUTIONS, net	88,234,512	85,194,180
LOANS HELD FOR INVESTMENT - WSHFC, net	6,392,567	5,580,095
LOANS HELD FOR INVESTMENT - RESERVE, net	107,241	115,747
EQUIPMENT, net	5,445	8,406
Total assets	$ 98,579,143	$ 94,554,036

LIABILITIES AND UNRESTRICTED NET ASSETS

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 276,032	$ 258,802
INTEREST PAYABLE	422,050	409,139
DEFERRED RENT PAYABLE	2,725	11,552
DEFERRED REVENUE	784	784
LOANS PAYABLE - WSHFC	6,416,618	5,524,505
NOTES PAYABLE - MEMBER INSTITUTIONS	87,750,871	84,936,366
Total liabilities	94,869,080	91,141,148
UNRESTRICTED NET ASSETS	3,710,063	3,412,888
Total	$ 98,579,143	$ 94,554,036

WCRA AND SUBSIDARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years Ended September 30, 2016	Years Ended September 30, 2015
REVENUES		
Interest income	$ 5,847,930	$ 6,022,706
Agent fee income	107,289	-
Loan fees	72,189	255,322
Construction loan review revenue	178,309	219,544
Contributions from member institutions	-	5,000
Other contributions	-	3,216
Total revenues	6,205,717	6,505,788
EXPENSES		
Interest expense	4,718,989	4,807,617
Salaries and related expenses	729,136	699,893
Professional fees	239,459	270,716
Office expenses	102,491	114,846
Other expenses	101,967	203,622
Contributions and grants	16,500	16,500
Total expenses	5,908,542	6,113,194
CHANGE IN UNRESTRICTED NET ASSETS	297,175	392,594
Unrestricted net assets, beginning of year	3,412,888	3,020,294
Unrestricted net assets, end of year	$ 3,710,063	$ 3,412,888

WCRA AND SUBSIDARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30, 2016	Years Ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from		
Loan fees	$ 86,075	$ 107,769
Other fees	46,359	65,428
Agent fee income	98,348	-
Interest	5,840,004	6,051,633
Construction loan review revenue	177,994	225,386
Contributions for member institutions	-	5,000
	6,248,780	6,455,216
Cash paid to		
Employees	(769,710)	(761,437)
Vendors	(440,658)	(581,331)
Prepayment fees	(8,510)	(23,610)
Interest	(4,706,078)	(4,839,711)
	(5,924,956)	(6,206,089)
Net cash from operating activities	323,824	249,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Origination of loans held for investment	(6,910,000)	(10,739,434)
Loan principal collected on loans held for investment from member institutions and WSHFC	3,062,228	13,125,848
Purchase of equipment	(1,985)	(8,907)
Purchase of interest-bearing deposits	(1,167,069)	(1,307,920)
Maturity of interest-bearing deposits	1,154,770	1,097,604
Net cash from investing activities	(3,862,056)	2,167,191
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable from member institutions and WSHFC related to loans held for investment	6,910,000	10,739,434
Principal repayments on notes payable from member institutions and loans payable to WSHFC related to loans held for investment	(3,203,382)	(12,959,812)
Net cash from financing activities	3,706,618	(2,220,378)
NET CHANGE IN CASH AND CASH EQUIVALENTS	168,386	195,940
CASH AND CASH EQUIVALENTS		
Beginning of year	1,423,008	1,227,068
End of year	$ 1,591,394	$ 1,423,008

	Years Ended September 30, 2016	Years Ended September 30, 2015
RECONCILIATION OF CHANGE IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in unrestricted net assets	$ 297,175	$ 392,594
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	4,946	5,380
Change in operating assets and liabilities		
Interest receivable	(16,867)	28,929
Accounts receivable and prepaid expenses	13,782	2,429
Deferred loan fees	3,474	(128,584)
Accounts payable, accrued liabilities, and deferred revenue	17,230	(15,751)
Interest payable	12,911	(32,096)
Deferred rent payable	(8,827)	(3,774)
NET CASH FROM OPERATING ACTIVITIES	$ 323,824	$ 249,127
NONCASH TRANSACTIONS		
Reduction of payable to WSHFC	$ -	$ 18,835
Reduction in real estate owned from disposition	$ -	$ 18,835

WASHINGTON COMMUNITY REINVESTMENT ASSOCIATION AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The Washington Community Reinvestment Association (WCRA) began operations on February 10, 1992, as a private not-for-profit organization established to provide permanent financing and technical assistance to facilitate the development of affordable housing in the state of Washington and to otherwise support community development and redevelopment needs. Funding is provided by member institutions under the Credit and Security Agreements (the Agreements) based on the agreed-upon amounts committed by each member. The consolidated financial statements include the transactions of the Washington Community Reinvestment Association and its wholly owned subsidiary, 1200 Fifth LLC (collectively, the Association). 1200 Fifth LLC was formed to own real property acquired through default from the Association's portfolio. Additionally, 1200 Fifth LLC is utilized for performing loan agent duties for the Association. All significant intercompany transactions and balances have been eliminated in consolidation.

The Association has a revolving loan and investment fund. Loans originated from the revolving loan fund earn interest equal to the applicable U.S. government securities rate consistent with the term of the underlying loan and are secured by real estate. The Association makes grants to nonprofit entities based on an annual amount determined by the Board of Directors each year.

The Association has a program to assist potential borrowers in obtaining permanent financing for multifamily projects through tax-exempt bonds purchased by the Association's members. The Association provides these borrowers access to its members and assists in document preparation but does not underwrite the bonds. Direct investments from the Association's members are made to the borrower, with the Association collecting a fee for its assistance, as well as servicing the bonds.

Effective May 28, 2002, the Association entered into a contract with the State of Washington Department of Commerce (Commerce) (formerly the Department of Community, Trade, and Economic Development's (CTED) Office of Community Development) for the purpose of providing construction loan review and evaluation for the Housing Trust Fund construction lending program that provides loans to low income and special needs housing programs and providers to construct and rehabilitate affordable housing in the state. On October 1, 2015, the Association entered into a new contract with Commerce covering the same services as the previous contract.

Beginning October 25, 2012, the Association entered into contracts with the National Equity Fund (NEF), a tax credit investor. The purpose for these contracts is to provide construction oversight and funds disbursement. NEF is a national syndicator of low income housing tax credits used to revitalize communities and create economic opportunities. On September 26, 2016, the Association entered into a new contract with NEF.

Effective February 7, 2003, the Association entered into an agreement (the WSHFC Agreement) for a revolving line of credit from the Washington State Housing Finance Commission (the Commission or WSHFC) of up to $3,000,000, which has increased incrementally to $8,500,000 at September 30, 2016. This line is for the purpose of making loans to serve nonprofit organizations whose needs for small loan amounts make conventional financing or financing through bonds too costly and inefficient. In the event of default of loans made by the Association with funds borrowed under this revolving line of credit, the Commission, at its sole option, retains the right of assignment, without recourse or warranty, of the loans made in full satisfaction of the amounts borrowed under the line of credit. If such assignment option is not exercised, the Association is not required to repay funds borrowed under this revolving line of credit. WSHFC loans are included in loans held for investment in the consolidated statements of financial condition.

Effective September 1, 2009, the Association entered into a contract with WSHFC for the purposes of providing construction overview and other services relating to WSHFC's program to create affordable housing in the state. In June 2013, with no further WSHFC

programs for construction projects, this contract was terminated. On October 2, 2012, the Association entered into a servicing agreement with WSHFC, which remains in effect to date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Association have been prepared on the accrual basis. Under accounting principles generally accepted in the United States of America, the Association is required to report 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. All net assets of the Association are classified as unrestricted. The significant accounting policies followed are described below.

Cash and cash equivalents - Cash and cash equivalents are any highly liquid investment with a remaining maturity of three months or less at the date of purchase.

Interest-bearing deposits - Interest-bearing deposits consist of certificates of deposit and money market accounts and are presented at cost and may exceed federally insured limits.

Equipment - Purchased equipment is recorded at cost, and donated equipment is recorded at estimated fair value on the date of donation. All equipment is depreciated over estimated useful lives of three to five years on a straight-line basis. Expenditures for maintenance and repairs are charged to expense as incurred.

Loans held for sale - Loans originated and held for sale are carried at the lower of cost or fair value on an aggregate basis. Net unrealized losses, if any, are recognized through a valuation allowance by a charge to income. Nonrefundable fees and direct loan origination costs related to loans held for sale are deferred and recognized as part of the gain on sale when the loans are sold or paid off. There were no loans held for sale at September 30, 2016 and 2015.

Transfers of financial assets - Transfers of an entire financial asset, a group of financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Association, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Association does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. No financial assets were transferred during the years ended September 30, 2016 or 2015.

Loans held for investment - member institutions - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal amount outstanding, net of unamortized nonrefundable loan fees and related direct loan origination costs. Net deferred loan origination fees and costs are recognized in interest income over the loan term using a method that generally produces a level yield on the unpaid loan balance. Interest is accrued primarily on a simple interest basis on the outstanding principal balance of the loan. Loans held for investment - member institutions consist of loans originated under the Association's Credit and Security Agreements.

Loans held for investment - WSHFC - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal amount outstanding, net of unamortized nonrefundable loan fees and related direct loan origination costs. Net deferred loan origination fees and costs are recognized in interest income over the loan term using a method that generally produces a level yield on the unpaid loan balance. Interest is accrued primarily on a simple interest basis on the outstanding principal balance of the loan. Loans held for investment - WSHFC consist of loans originated under the WSHFC Agreement. Based on the WSHFC Agreement, the Association has no liability under the Agreement for the payment of loans, and the loans are without recourse or warranty to the Association.

Loans held for investment - Reserve - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at the principal amount outstanding. Interest is accrued primarily on a simple interest basis on the outstanding principal balance of the loan. Loans held for investment - Reserve consist of direct revolving loans for nonprofit projects originated under the WCRA Reserve and Investment Policy, established by the WCRA Board of Directors in an aggregate amount not to exceed $400,000.

Nonaccrual and impaired loans - Nonaccrual loans are those for which management has discontinued accrual of interest because there exists significant uncertainty as to the full and timely collection of either principal or interest, or because such loans have become contractually past due 90 days with respect to principal or interest.

When a loan is placed on nonaccrual, all previously accrued but uncollected interest is reversed against current-period interest income. All subsequent payments received are applied first to the payment of principal and then to the payment of accrued interest. Interest income is accrued at such time as the loan is brought fully current as to both principal and interest, and, in management's judgment, such loans are considered to be fully collectible.

Loans are considered impaired when, based on current information, management determines it is probable that the Association will be unable to collect all amounts due according to the terms of the loan agreement, including scheduled interest payments. Impaired loans are carried at the lower of the recorded investment in the loan, the estimated present value of expected future cash flows discounted at the loan's effective date, or the fair value of the collateral if the loan is collateral-dependent.

Allowance for loan losses - The Association maintains an allowance for loan losses to absorb probable losses inherent in the loan portfolio. The allowance is based on ongoing quarterly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses, which is charged against current-period operating results and decreased by the amount of charge-offs, net of recoveries.

The Association's methodology for assessing the appropriateness of the allowance consists of several key elements, including the general allowance and specific allowance.

The general allowance is calculated by applying a loss percentage factor to the portfolio loans based on the internal credit grading and classification system and current economic and business conditions that could affect the collectibility of the portfolio. These factors may be adjusted for significant events, in management's judgment, as of the evaluation date.

Specific allowances are established when determined necessary for impaired loans using the valuation approaches described above, as well as known current business conditions that may affect the Association. Impairment losses are recognized by adjusting an allocation of the existing allowance for loan losses.

Rate lock commitments on loans and notes payable - The Association enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on loans that are intended to be sold are considered to be derivatives. The Association's cost of borrowing to fund the originated loans held for sale is based on the interest rate of such loans. The commitments to the Association to borrow from member institutions related to the loans held for sale are also derivatives. These derivatives are recorded at fair value, with the change in fair value recorded in earnings. Fair value is based on fees currently charged to enter into similar agreements and, for fixed-rate commitments, also considers the difference between current levels of interest rates and the committed rates. These commitments do not expose the Association to interest rate risk because the associated risk is borne by the member institutions. At September 30, 2016 and 2015, there were no rate lock commitments on loans that are intended to be held for sale.

Escrow - Customer funds held for construction draws and operating replacement and completion reserves are not recorded on the books of the Association, because such accounts are held by another institution for the benefit of borrowers or National Equity Fund. At September 30, 2016 and 2015, the amount of funds held for customers in escrow was $12,678,589 and $11,375,776, respectively.

Contributions received - Contributions received from institutions for membership in the Association and all other contributions are recorded in the consolidated statements of activities. Any restricted contributions received and spent in the same year are treated as unrestricted contributions. There was no restricted cash at September 30, 2016 and 2015.

Functional allocation of expenses - To provide information regarding service efforts, the costs of providing the Association's programs have been presented in the consolidated statements of activities. The Association effectively operates as a single program, and, therefore, no attempt has been made to segregate general and administrative expenses. In addition, the Association's fundraising activities are immaterial.

Use of estimates - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires

management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Changes in these estimates and assumptions are considered reasonably possible and may have a material impact on the consolidated financial statements. The significant estimate includes the allowance for loan losses.

Tax status - On June 17, 1996, the Association received an Internal Revenue Service determination letter reaffirming the Association's status as a publicly supported organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Association adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, Income Taxes, relating to accounting for uncertain tax positions on October 1, 2010, which had no financial statement impact to the Association. The Association recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Association recognizes interest and penalties related to income tax matters in noninterest expense. The Association had no unrecognized tax benefits that would require an adjustment to the October 1, 2010, beginning balance of net assets and had no unrecognized tax benefits at September 30, 2016 or 2015. The Association files an exempt organization return in the U.S. federal jurisdiction.

Fair value measurements - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements follow a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, whereas unobservable inputs reflect the Association's estimates about market data. In general, fair values determined by Level 1 inputs use quoted prices for identical assets or liabilities traded in active markets that the Association has the ability to access. Fair values determined by Level 2 inputs use inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. At September 30, 2016 and 2015, there were no assets or liabilities measured at fair value on a recurring basis.

Subsequent events - Subsequent events are events or transactions that occur after the consolidated statement of financial condition date but before the consolidated financial statements are available to be issued. The Association recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial condition, including the estimates inherent in the process of preparing the consolidated financial statements. The Association's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial condition but arose after the consolidated statement of financial condition date and before the consolidated financial statements are available to be issued.

The Association has evaluated subsequent events through November 16, 2016, which is the date the consolidated financial statements are available to be issued, and no subsequent events occurred requiring accrual or disclosure.

NOTE 3 - EQUIPMENT

A summary of equipment at September 30 is as follows:

	2016	2015
Equipment	$ 60,514	$ 71,645
Less accumulated depreciation	(55,069)	(63,239)
	$ 5,445	$ 8,406

Depreciation expense for the years ended September 30, 2016 and 2015, was $4,946 and $5,380, respectively.

NOTE 4 - LOANS HELD FOR INVESTMENT

Loans held for investment consist of the following at September 30:

	2016	2015
Real estate		
Non-tax-credit loans	$ 35,189,751	$ 33,956,810
Tax-credit loans	54,070,729	52,264,748
Total member institution loans	89,260,480	86,221,558
Reserve loans	107,241	115,747
WSHFC loans	6,388,556	5,571,200
Total real estate	95,756,277	91,908,505
Less		
Allowance for loan losses	(379,110)	(379,110)
Deferred loan fees	(642,847)	(639,373)
Total	$ 94,734,320	$ 90,890,022
LOANS HELD FOR INVESTMENT - MEMBER INSTITUTIONS, net	88,234,512	85,194,180
LOANS HELD FOR INVESTMENT - WSHFC, net	6,392,567	5,580,095
LOANS HELD FOR INVESTMENT - RESERVE, net	107,241	115,747
Total	$ 94,734,320	$ 90,890,022

Changes in the allowance for loan losses for the years ended September 30 were as follows:

2016	Real Estate			
	Non-Tax-Credit	Tax-Credit	Unallocated	2016
Allowance for loan losses, beginning of year	$ 188,601	$ 140,674	$ 49,835	$ 379,110
Provision (benefit) for loan losses	6,981	15,452	(22,433)	-
Allowance for loan losses, end of year	$ 195,582	$ 156,126	$ 27,402	$ 379,110

2015	Real Estate			
	Non-Tax-Credit	Tax-Credit	Unallocated	2015
Allowance for loan losses, beginning of year	$ 173,259	$ 152,795	$ 53,056	$ 379,110
Provision (benefit) for loan losses	15,342	(12,121)	(3,221)	-
Allowance for loan losses, end of year	$ 188,601	$ 140,674	$ 49,835	$ 379,110

No loans were sold during the years ended September 30, 2016 or 2015.

The loans originated by the Association are secured by a first deed of trust on the subject property of each loan. Loans are collateralized by real property or other security located within the state of Washington.

Credit quality indicator - The Association classifies lower quality loans as substandard, doubtful, or loss. A loan is considered substandard if it is inadequately protected by the current net worth and pay capacity of the borrower or of any collateral pledged. Substandard assets include those characterized by the distinct possibility that the Association will sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions, and values. Loans classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

When the Association classifies problem loans as either substandard or doubtful, it may establish a specific allowance to address the risk specifically or the Association may allow the loss to be addressed in the general allowance. General allowances represent loss allowances that have been established to recognize the inherent risk associated with lending activities, but that, unlike specific allowances, have not been specifically allocated to particular problem assets. Assets that do not currently expose the Association to sufficient risk to warrant classification as substandard or doubtful but possess identified weaknesses are designated as either watch or special mention assets. At September 30, 2016 and 2015, the Association had no loans classified as doubtful or substandard.

The following tables represent the internally assigned grade as of September 30, 2016 and 2015, by type of loans:

Credit Risk Profile by Internally Assigned Grade

September 30, 2016	Real Estate		
	Non-Tax-Credit	Tax-Credit	Total
Member institution loans			
Grade			
Pass	$ 34,728,341	$ 52,872,578	$ 87,600,919
Watch	66,624	400,658	467,282
Special mention	394,786	797,493	1,192,279
	35,189,751	54,070,729	89,260,480
Reserve loans			
Grade			
Pass	52,893	-	52,893
Watch	54,348	-	54,348
	107,241	-	107,241
WSHFC loans [1]			
Grade			
Pass	6,079,599	-	6,079,599
Watch	147,995	-	147,995
Special mention	160,962	-	160,962
	6,388,556	-	6,388,556
	$ 41,685,548	$ 54,070,729	$ 95,756,277

[1] Based on the WSHFC Agreement, the Association has no liability under the Agreement for the payment of loans, and the loans are without recourse or warranty to the Association.

September 30, 2015	Real Estate		
	Non-Tax-Credit	Tax-Credit	Total
Member institution loans			
Grade			
Pass	$ 33,551,507	$ 50,929,820	$ 84,481,327
Watch	-	1,334,928	1,334,928
Special mention	405,303	-	405,303
	33,956,810	52,264,748	86,221,558
Reserve loans			
Grade			
Pass	56,375	-	56,375
Watch	59,372	-	59,372
	115,747	-	115,747
WSHFC loans [1]			
Grade			
Pass	4,973,515	-	4,973,515
Watch	388,669	-	388,669
Special mention	209,016	-	209,016
	5,571,200	-	5,571,200
	$ 39,643,757	$ 52,264,748	$ 91,908,505

[1] Based on the WSHFC Agreement, the Association has no liability under the Agreement for the payment of loans, and the loans are without recourse or warranty to the Association.

There were no impaired loans, troubled debt restructured loans, or nonaccrual loans at September 30, 2016 and 2015.

There were no loans past due more than 90 days and still accruing interest at September 30, 2016 and 2015.

There were no loans past due 30 to 90 days at September 30, 2016 and 2015.

NOTE 5 - NOTES PAYABLE - MEMBER INSTITUTIONS

Funding for loans originated by the Association has been provided by member institutions under a revolving line of credit as specified in the Agreement for Pool 1. As of September 30, 2016 and 2015, the maximum limit on the line of credit was $94,675,000 and 99,575,000, respectively. The outstanding amounts were $65,535,447 (of which $60,535,668 was revolving and $4,999,779 was nonrevolving) and $63,505,205 (of which $58,676,770

was revolving and $4,828,435 was nonrevolving) as of September 30, 2016 and 2015, respectively, and $12,330,000 was approved to be funded for loan commitments (Note 8) as of September 30, 2016. As stated in the Agreement, the terms of the Association's borrowings from member institutions are substantially the same as the terms of the loans the Association will originate. The member institutions receive an assignment of collateral of the specific loans equal to their respective equity percentage interest in each specific note payable. A nominal interest rate spread is retained by the Association to cover operating expenses.

The rate of interest on notes payable to member institutions on amounts borrowed prior to September 15, 1997, was determined based on the applicable rate, at the time the loan was funded, of U.S. government securities with a term consistent with the term of the underlying note payable plus .75%. The rate of interest on amounts borrowed after September 15, 1997, is determined based on the applicable rate, at the time the loan is funded, on U.S. government securities with a term consistent with the term of the underlying note payable plus a minimum of 1%. Currently, the rates of interest on all notes payable are fixed over the term of the notes.

Effective September 15, 1997, the Association entered into a revolving line of credit, as specified in the Agreement for Pool 2, from certain member institutions to provide additional funds for new loans and loan commitments to maintain lending capacity. As of September 30, 2016 and 2015, the maximum limit on the line of credit was $26,512,000. The outstanding amounts were $19,580,121 (of which $16,714,870 was revolving and $2,865,251 was nonrevolving) and $19,575,961 (of which $17,020,654 was revolving and $2,555,307 was nonrevolving) as of September 30, 2016 and 2015, respectively, and $0 was approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2016. Similar to the revolving line of credit above, the member institutions receive an assignment of collateral of the specific loans equal to their respective equity percentage interest in each specific note payable. The interest rate on notes payable to member institutions for the revolving line of credit is a minimum of 1% over the applicable rate on U.S. government securities having a term consistent with the term of the underlying note payable. A nominal interest rate spread is retained by the Association to cover operating expenses.

Effective May 15, 2001, the Association entered into a line of credit, as specified in the Agreement for Pool 3, from certain member institutions for the purpose of economic development lending. As of September 30, 2016 and 2015, the maximum limit on the line of credit was $6,500,000. Of this amount, $0 was nonrevolving as of September 30, 2016 and 2015. As of September 30, 2016 and 2015, the outstanding amounts were $2,635,303 and $1,855,200, respectively, and $2,000,000 was approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2016. Of these outstanding balances, no amounts were nonrevolving as of September 30, 2016 and 2015. Similar to the revolving lines of credit above, the member institutions receive an assignment of collateral of the specific loans equal to their respective equity percentage interest in each specific note payable. The interest rate on notes payable to member institutions for the revolving line of credit is a minimum of 1.50% over the applicable rate on U.S. government securities having a term consistent with the term of the underlying note payable. A nominal interest rate spread is retained by the Association to cover operating expenses.

Future minimum payments of notes payable - member institutions are as follows:

2017	**$ 2,539,041**
2018	**2,580,136**
2019	**2,198,873**
2020	**3,275,761**
2021	**3,169,688**
Thereafter	**73,987,372**
	$ 87,750,871

Notes payable - member institutions, at September 30, 2016, bear interest at rates ranging from 2.61% to 7.33%. The notes are payable in monthly installments, including principal and interest.

NOTE 6 - LOANS PAYABLE - WSHFC

Funding for loans originated by the Association has been provided by the Commission under a revolving line of credit as specified in the WSHFC Agreement. The maximum limit on the line of credit is $8,500,000. As of September 30, 2016 and 2015, the outstanding amounts were $6,416,618 and $5,524,505, respectively, and $500,000 was approved to be funded for loan commitments (Note 8) as of September 30, 2016. A nominal interest rate spread is retained by the Association to cover operating expenses. The interest rate on the loans charged by the Commission for the revolving line of credit is 2%, consistent with the terms of the WSHFC Agreement.

Future minimum payments of loans payable - WSHFC are as follows:

2017	$ 1,173,354
2018	496,629
2019	1,104,414
2020	728,508
2021	590,092
Thereafter	2,323,621
	$ 6,416,618

NOTE 7 - CONTRIBUTIONS FROM MEMBER INSTITUTIONS

Contributions from member institutions were made by the Association's member institutions to cover initial operating expenses. Initial contributions from member institutions were determined to cover the first two years of operating expenses. The first installment was paid prior to September 30, 1992, and the second installment of approximately $57,000 was paid during 1993. In addition, members who join the Association subsequent to the original formation are assessed a one-time contribution. During the year ended September 30, 2016, there were no new member assessments collected. For the year ended September 30, 2015, there were two new member assessments collected.

Members are admitted for a two-year term and are automatically renewed for subsequent two-year terms unless a member resigns. Resignations are only accepted during the month of January, following completion of the member's current two-year term, and will be effective on the first day of February. New members may join on the first day of any month throughout the year. The Board of Directors may require additional contributions of members in future years. If members do not make any required contribution within 60 days of when it becomes payable, the Board of Directors may terminate their memberships.

NOTE 8 - COMMITMENTS

The principal balance related to loan commitments to borrowers and member institutions at September 30, 2016, was $14,830,000, all of which was related to affordable housing projects and economic development projects. Commitments to extend credit generally have fixed expiration dates. Because a portion of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Prior to extending commitments, the Association evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the borrower. Loans are collateralized by real property or other security located within the state of Washington.

Contractual future minimum rental payments for the Association's office lease as of September 30, 2016, are as follows:

2017	$ 88,437
2018	92,000
2019	95,000
2020	98,000
Thereafter	135,000
	$ 508,437

Rental expense for the years ended September 30, 2016 and 2015, was $75,570 and $78,224, respectively, and is included in office expenses on the consolidated statements of activities.

The Association's office lease expires in January 2022.

Contractual future minimum rental payments for the Association's copier lease as of September 30, 2016, are as follows:

2017	$ 2,523
2018	2,523
2019	2,523
	$ 7,569

NOTE 9 - RELATED PARTY TRANSACTIONS

All cash and cash equivalents of the Association are on deposit with member institutions. The Association holds interest-bearing deposits with member institutions. Total related party interest-bearing deposits at September 30, 2016 and 2015, were $1,675,445 and $1,663,146, respectively.

On October 1, 2015, the Association assumed the agent duties through 1200 Fifth LLC. In the prior year, loan servicing was performed by a member bank.

NOTE 10 - EMPLOYEE SAVINGS PLAN

The Association has a voluntary contribution 403(b) savings plan for all employees. For the years ended September 30, 2016 and 2015, no contributions were made by the Association to the plan.

The Association has an employer-funded 408(k) simplified employee pension plan for all eligible employees. The Association may make a contribution of up to 15% of each employee's total compensation, within certain limits. At September 30, 2016 and 2015, the Association accrued contribution expenses of $34,500 and $33,039, respectively. These amounts are generally paid out in the following fiscal year subject to Board approval.

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President

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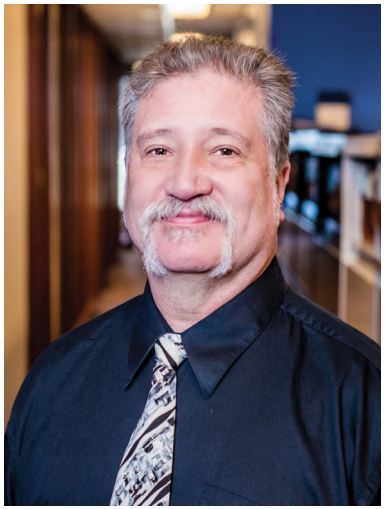
Vice-President



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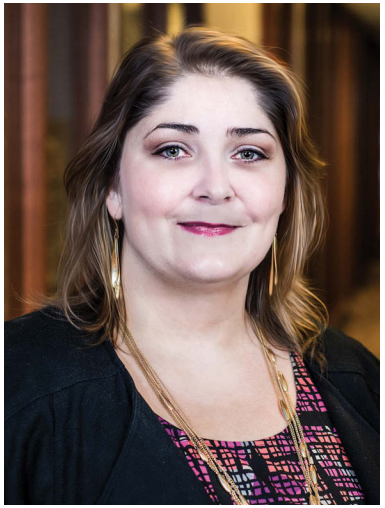

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