WCRA ANNUAL REPORT **2019**

Meeting Washington's Affordable Housing Needs Through Partnership

MISSION

To meet Washington’s affordable housing and economic development needs through partnership.

GUIDING PRINCIPALS

THE WCRA ENDEAVORS:

- To expand resources for the creation and preservation of real estate based community development in Washington State.
- To expand resources for financing non real estate based loans to emerging nonprofits without access to traditional banking.
- 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.

CONTENTS

BOARD CHAIR AND PRESIDENT'S LETTER

It's been a big 27th year for the WCRA, ending in grand style with a super-sized milestone for our company. Our little nonprofit finalized the year with a total of over $100 million in assets.

During the year, we closed eight loans for a total of $11,558,300. Located in eight different communities across Washington State, they represent a diversity of location, community support and development.

Three loans concentrated on the preservation of mobile home parks as a means for another continuum of affordable housing as an alternative to apartment properties. This includes two parks with 136 total units financed in conjunction with the Washington State Housing Finance Commission's Manufactured Home Community Investment Program and the refinance of a 20-unit park.

Our Capital Plus! program, financed by generous contributions from the Washington State Housing Finance Commission, produced three diverse projects: a food bank expansion into a new, larger facility; the addition to a local historical museum, and; the acquisition of a condominium unit specifically designated for disabled tenants.

In support of the effort for safe and decent farmworker housing, the WCRA financed a 144-bed seasonal property - the second phase of a development that will encompass 192 total units, centrally located in Mattawa. The property is a great example of the latest design and accommodations for this very important segment of the workforce.

The single tax credit project financed this year by the WCRA is a new, 30-unit affordable housing project with ground floor commercial space that is located in Vancouver. Our new loan volume was not as high as we expected. There were six new transactions for a total of over $6 million. We are encouraged that there was a good supply of debt financing for the affordable rental housing projects in Washington even if it was provided by others. It is a positive sign that the days when these projects were considered a higher risk is over.

In addition, we had a credit review of our portfolio by a new asset review company since the principles of our prior review company retired and closed their firm. The great news is that the new company concluded their review with the same positive results that we have had since 2013 when we had our first credit exam. So again, there were no issues and the WCRA work, both in new loan production and servicing, is all without fault!

We are working on a new partnership with Enterprise Community Partners and Craft 3 to provide financing for Early Learning Facility Centers across the State. The Washington State Department of Commerce has a new grant program tied to legislation recognizing a critical need for early learning facilities to meet the State's commitment to provide opportunities to low-income children for preschool education by 2023. The WCRA and its partners will work to create funding for stand-alone facilities and spaces within affordable housing projects.

We continue to receive great support, counsel, and direction from our Board of Directors. As usual, thanking them doesn't seem to provide as much gratitude as they deserve.

Christine Roveda,
Chair

Susan Duren,
President

WCRA 2019 MEMBERSHIP

1st Security Bank of Washington
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 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
Olympia Federal Savings & Loan Association
Opus Bank
Riverview Community Bank
Seattle Bank
Timberland Bank
Umpqua Bank
Washington Federal
Washington Trust Bank
Wells Fargo Bank
Yakima Federal Savings & Loan Association

2019 LOAN COMMITTEE

Lauren Jassny, The Commerce Bank of Washington
Chair

Sergio Goncalves, Columbia Bank

Shawn Cozakos, HomeStreet Bank

James Vossoughi, JPMorgan Chase

Alex Tkachuk, KeyBank

Fred Holubik, Kitsap Bank

Kim Etherton, Umpqua Bank

Jack Sommerville, Washington Federal

Amy Mandell, Wells Fargo Bank

Susan Duren, WCRA

Dulcie Claassen, WCRA

2019 BOARD OF DIRECTORS


Christine Roveda, Wells Fargo Bank
Chair


Michael Dotson, Banner Bank
Vice Chair


Jay Coleman, KeyBank
Secretary


Bob Powers, JPMorgan Chase
Treasurer

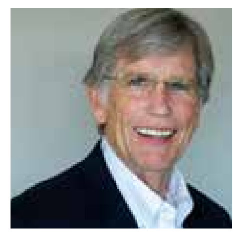

Susan Duren, WCRA
President


Bob Granfelt, Opus Bank


Courtney Hashimoto, Umpqua Bank

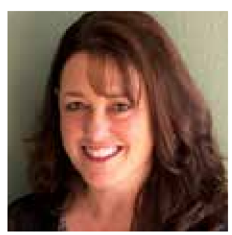

Tim Grant, Washington Federal

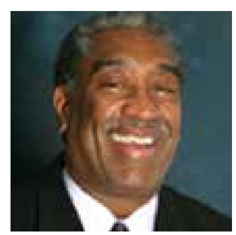

Brad Stevens, Washington Trust Bank


Mike Gilmore, Yakima Federal Savings & Loan Association


Steve Walker, Washington State Housing Finance Commission


M.A. Leonard, Enterprise Community Partners


Diane Klontz, Washington State Department of Commerce


Paul Edwards, Washington State Housing Finance Commission


Counsel to the Board of Directors
Scott J. Borth, Perkins Coie

WOODSIDE MANOR

The 96-space RV Park Woodside Manor is located in Bonney Lake. The borrower is Affordable Communities, Inc., a nonprofit corporation controlled by Resident Owned Parks, Inc. (ROP), another nonprofit organization established in 2001. ROP's mission is to purchase and manage mobile home parks in order to preserve affordable housing. In addition to permanent financing from WCRA, funding was also provided by the Washington State Housing Finance Commission.

ROP acquired Woodside Manor in 2019 when the community came onto the market. It has a total of 98 spaces - the 96 RV spaces, the on-site manager's office, and the other an Airstream trailer that has been converted into a laundry facility for residents. One of the spaces is occupied by a tiny house, owned by Debbie Ritter. She has lived there four years, and loves the fact that she is a homeowner. Even though her house is small, only 250 square feet, it suits her needs perfectly. She comments that "the community really looks out for each other." As the RV spaces turn over, manufactured homes will be given preference over RVs, and income limitations will apply, with three-quarters of the spaces rented at 80% AMI and the balance remaining unrestricted. Each space has utility hookups available for water, sewer, and electricity. The grounds feature plenty of lighting and a landscaped walking path. Each site includes a paved driveway with ample parking for two vehicles. The park is on a main highway, with public transportation, grocery stores, restaurants, and other retail shopping available nearby. Cindy, another resident of Woodside Manor, has been living there with her husband and dog for four years. Once their children were old enough to move out, Cindy wanted to downsize so she and her husband bought an RV. She says Woodside Manor "allowed us to make a home" and that it is a "great community, spectacular." Cindy praises the security, privacy, and affordability of the park.

PLAZA PARK

Plaza Park is a mobile home community located in Blaine, acquired by ROP when the previous park owner faced foreclosure action. The 14-acre site includes a one-bedroom apartment, 30 mobile home spaces, 41 RV spaces, and room for the development of an additional 16 mobile home spaces. ROP again used the WCRA loan in conjunction with funds from the Washington State Housing Finance Commission. All of the homes are rented at 80% AMI. Common amenities include a management office, laundry room and restroom.

> “NICE AND QUIET, A PEACEFUL, GOOD PLACE.”
>
> —Residents, Grace and Terry

Grace and Terry have been living at Plaza Park for three years. They decided to downsize from a larger house, and chose Plaza Park for its tranquil setting. They both help with the maintenance and upkeep of the park. Both say it is “nice and quiet, a peaceful, good place.” Their mobile home is surrounded by beautiful rhododendron and rose bushes as well as blueberries, grapes, and lilac. The dedication to their community and their home is evident.

THE MEADOWS AT BONEL

The Meadows at Bonel is a manufactured home community with over 100 spaces and one apartment located in Kent. The borrower is Manufactured Housing Community Preservationists (MHCP). Funding partners include the Washington State Housing Finance Commission and King County. MHCP was established as a nonprofit in 1992 as a result of King County's Mobile Home Pilot Conversion Program, in order to purchase manufactured housing communities and preserve them as a low income housing option. Today, MHCP purchases, renovates, and manages manufactured housing communities. MHCP also provides consultant services to resident-owned manufactured housing communities, non-profits, agencies and authorities.

The Meadows at Bonel is a fenced, ten-acre 1960-vintage community with paved roads and full-grown trees throughout the park. Each site includes parking for two vehicles. The spaces are rented to tenants earning no more than 50% - 80% of AMI. There is one apartment, located on the second floor of the Community Building. It has four bedrooms and two bathrooms. The Community Room can be reserved by Meadows residents. It features a banquet facility with tables and chairs for fifty persons, kitchen, fireplace and restrooms. Leasing and maintenance offices, and a laundry facility occupy the same building. The heated pool, which is open from Memorial Day through Labor Day, is a popular amenity for residents and their guests. There is a new adjacent patio, furnished with picnic tables and a charcoal grill. The nearby playground is heartily enjoyed by the younger residents. Public transportation, shopping, and outdoor recreation are close by.

MHCP has conducted drawings for house-paint to be provided to participating Meadows residents, who must maintain their own homes. The understanding is that the resident will use the paint to paint their house. If the resident fails to paint their house within 90 days after receiving the paint, they must either reimburse MHCP for the paint or surrender it to another MHCP household. The residents choose their paint colors and the result is a cheerful and colorful neighborhood.

There is little turnover at Meadows: Vacancies are rare and are often snapped up through word-of-mouth. Current residents are quick to inform family and friends of the opportunity to live at this popular community. There are groups of extended families in multiple households. Like all MHCP communities, Meadows at Bonel is populated by a diverse group of residents of all ages. Meadows has about 120 residents under 18 years of age. Greg Blount, MHCP Executive Director, has described Meadows at Bonel as "gregarious," noting "there is always a lot going on at Meadows."

> "THERE IS ALWAYS A LOT GOING ON AT MEADOWS."
>
> — Greg Blount, MHCP Executive Director


The Meadows
AT BONEL

HIDDEN VILLAGE MANUFACTURED HOME COMMUNITY

The borrower on this property is the Hidden Village Owners Association (HVOA). HVOA was formed in 2008 as a co-op so that residents of Hidden Village could purchase the park, which was going on the market, and preserve the affordability of the homes there. Each member of the community has an equal voice in how the park is run, from who sits on their board of directors to how their annual budget is spent.

The Hidden Village community has 20 lots, and is located in Olympia. The homes line both sides of one street, tucked away in a quiet cul-de-sac. There is ample parking at each home and additional parking for visitors was recently added. The residents of Hidden Village continue to make improvements to their own homes and community. A lighted fountain was installed in the pond in the center of the property, and a community garden with raised beds was established for use by all of the residents. It is up to the residents to maintain the landscaping, roads, gardens, and common areas of the community, and there is no shortage of volunteers for the work. There is a shared bulletin board, email newsletter, and closed Facebook group for community members only. Mary Testa-Smith, HVOA's Treasurer, said "There is an increased feeling of community, and people are feeling more connected." Over half of the homesites are reserved for residents earning no more than 80% of AMI. The community is close to schools, grocery stores, and shopping centers.

CHERYL R. McCOY

Cheryl has been a resident of Hidden Village for almost one year. She is retired, and appreciates the affordability of Hidden Village. “I’m so glad that low income communities exist,” she said, “I am able to have a nice home, low rent, and still live on my small fixed income.” Her favorite thing about the community is the other residents. “Having neighbors that help each other is great. There is always someone keeping an eye out when you are gone,” Cheryl says. She enjoys gardening, sewing, and quilting, and has plenty of space in her home to pursue all of her hobbies. Cheryl said of living in a mobile home community, “For me, my home is just the right size.”

LYNDA G. MALLORY

Lynda has had her home in the Hidden Village community for seven years. She is the Secretary of the Association of Manufactured Home Owners in the state of Washington, and an active advocate of tenants’ rights. “I think people need to have some control over their own destiny” she said. Lynda singlehandedly completed training and then developed the homesite of another resident, which was previously undeveloped. She loves living in Hidden Village and being a part of the community. “I like the quiet place we are,” she said.

PEGGY SCEARCE

Peggy and her three miniature dachshunds have called Hidden Village home for over two years. She previously lived in a rural area, and appreciates her wonderful neighbors being nearby. Her mobility is limited, and she is grateful that the community is close to doctors, shopping, and other needs, but still has the feel of being removed from the big city. “I am the happiest I’ve ever been and credit HVOA with this,” Peggy said, “I know if I have problems my neighbors are here to help. If I were to win the Lotto I would still want to live here!”

MATTAWA SLOPE PHASES 1 AND 2

The two phases of Mattawa Slope both serve seasonal and migrant farmworkers in Mattawa. The borrower is Washington Growers League (WGL), who used the WCRA loan in conjunction with funds from the Washington State Department of Commerce, the Federal Home Loan Bank, and the Office of Rural and Farmworker Housing. WGL is a nonprofit founded in 1987 whose mission is to assist and represent its members, the agricultural employers. Their staff has expert knowledge about legal issues, housing, and safety requirements unique to the agricultural industry. Services such as H-2A visa guidance, labor management, safety resources, and farmworker housing are available to its members.

> "I AM ABLE TO EXPERIENCE AND REALIZE THE NEEDS OF THE PEOPLE OF MY COMMUNITY, LIKE THE NEED FOR MORE HOUSING."
>
> — Wendy Lopez, Manager of Mattawa Slope

Mattawa Slope Phase 1 has 144 beds located within three 2-story buildings. There is a community space on the first floor that includes an office, cashier's room, meeting space, storage, and a laundry facility. Phase 2 adds an additional 192 beds in four more 2-story buildings. This phase features additional laundry facilities, kitchens with walk-in pantries, and open living areas on each floor. A community barbeque area is located in the courtyard. All buildings are air conditioned and wi-fi is provided. Stores and restaurants are within walking distance, and a local open-air market is held each Saturday. All beds are reserved for seasonal farmworkers, and income limitations are 30 – 50% of AMI. Marios Bautista and his family have lived here for two seasons. They all think the apartments are "very nice", and Marios says living at Mattawa Slope means he doesn't have to sleep in his car, with other people in a crowded home, or in a tent like in previous years.

Mattawa is a mainly agricultural area that produces major crops such as apples and cherries, along with grapes. Access from Mattawa Slope to area orchards is convenient. David Arenas says living nearby means there are more transportation options available and better work opportunities. With limited housing available in the area, many growers are unable to recruit and retain essential employees, as grower-supplied housing is mandated under the H-2A visa program. The manager of Mattawa Slope, Wendy Lopez, says living there means she is "able to experience and realize the needs of the people of my community, like the need for more housing". The addition of this safe, affordable housing has helped to address this need. "I can sleep and rest comfortably knowing someone is watching over us," says resident Santos Olazaran Garcia.


MATTAWA SLOPE
230
GROWERS LEAGUE
SEASONAL FARMWORKERS HOUSING

SHORELINE HISTORICAL MUSEUM

Through the Capital Plus! program, WCRA funded a 5,000 square foot addition to the Shoreline Historical Museum (SHM). Funding partners include the Washington State Historical Society and King County's 4Culture. SHM was established in 1975 as part of a nationwide bicentennial project. The nonprofit museum is the only historical organization of its kind to preserve, record, and interpret the history of Lake Forest Park, Shoreline, and North Seattle.

Vicki Stiles is the museum's only staff member, and she has been the Executive Director since 1992. She holds a Bachelors degree in Archaeology and a Doctorate in Museology and Anthropology. Her passion for the job and the community she serves is unmistakable. Vicki designs educational programming for all ages, and has curated most of the museum's exhibits singlehandedly. One of her favorite programs records the stories of recent immigrants to the community and is called “Coming to America: Personal Stories of Planting New Roots in the Community”. The program ensures that the heritage of the area's new Pioneers is preserved for future generations as part of the cultural and historical wealth of the community.

SHM occupied the historic 1912 Ronald School for 35 years, but was forced to move when the building was needed for the expansion of a local high school. The current location does not have the space for all their exhibits and archival material, a majority of which was put into storage. With the addition of this new building, SHM will be able to provide a secure space for their complete collection. The new collections facility and research center will allow the museum to better help their community with research requests, and provide space for researchers. On average, SHM receives about 25 research requests each month, ranging from genealogy and family history to property studies to general public interest in historical land use. In addition to assisting with public and private sector research, SHM has recently launched a searchable photographic database, the only one of its kind in the area that is free to use. They have uploaded about 2,000 photos to their website so far, and plan to eventually add all 12,000 historical photos in their collection.

VICKI DESIGNS EDUCATIONAL PROGRAMMING FOR ALL AGES, AND HAS CURATED MOST OF THE MUSEUM'S EXHIBITS SINGLEHANDEDLY. ONE OF HER FAVORITE PROGRAMS RECORDS THE STORIES OF RECENT IMMIGRANTS TO THE COMMUNITY.

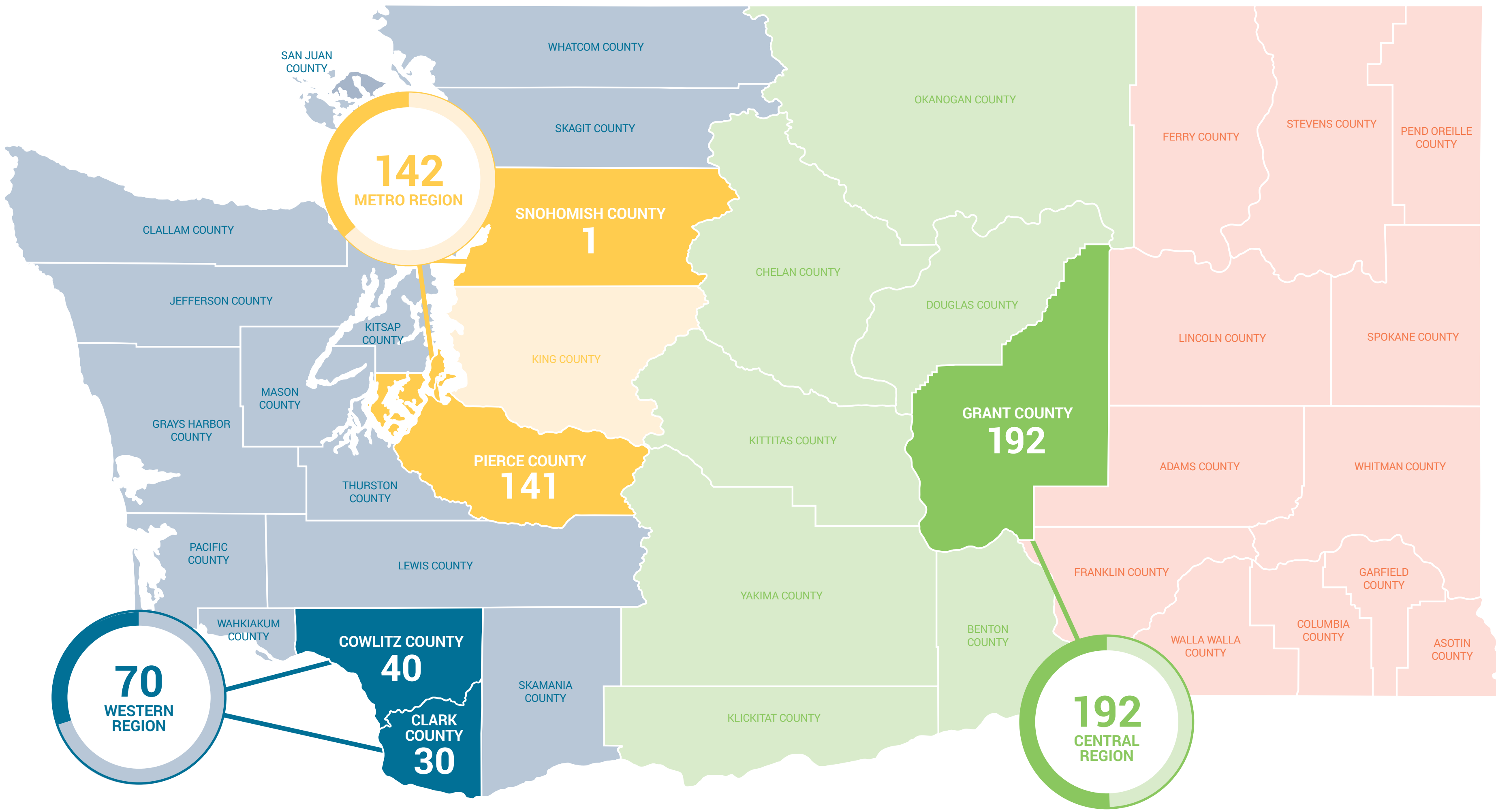
CAPITAL PLUS!

Capital Plus! is an $11.5 million loan fund for Washington nonprofits that need to finance housing, capital facilities owned and operated by the nonprofit, and/or equipment purchases or capital leases. Funding is provided through the Washington State Housing Finance Commission's program related investments.

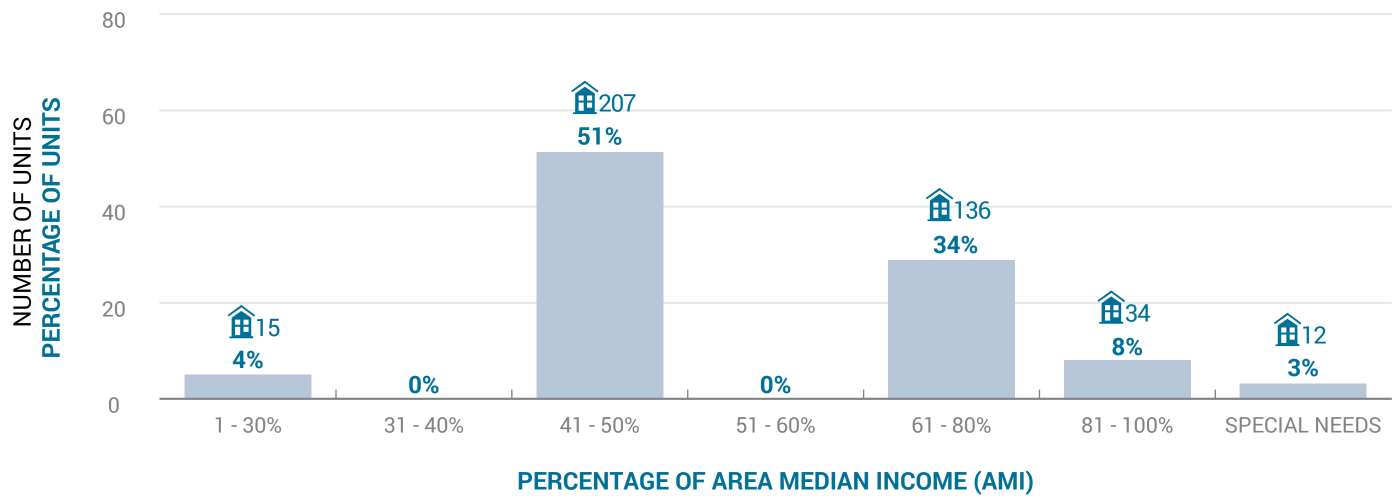
The program assists small and emerging nonprofit organizations that would otherwise not have access to favorable financing. Washington nonprofits that serve or provide community services with consideration to lower income persons or persons with special needs, or serve a unique or special purpose in the community, are eligible to apply for financing. Loans may be in any amount up to a maximum of $750,000 with terms up to 10 years.

The Capital Plus! program has received national recognition by the National Council of State Housing Agencies. During the 2018 annual State Housing Finance Agencies conference, Capital Plus! was declared the winner of the Special Needs Housing category, which recognizes programs that best provide affordable housing and services for persons with special needs.

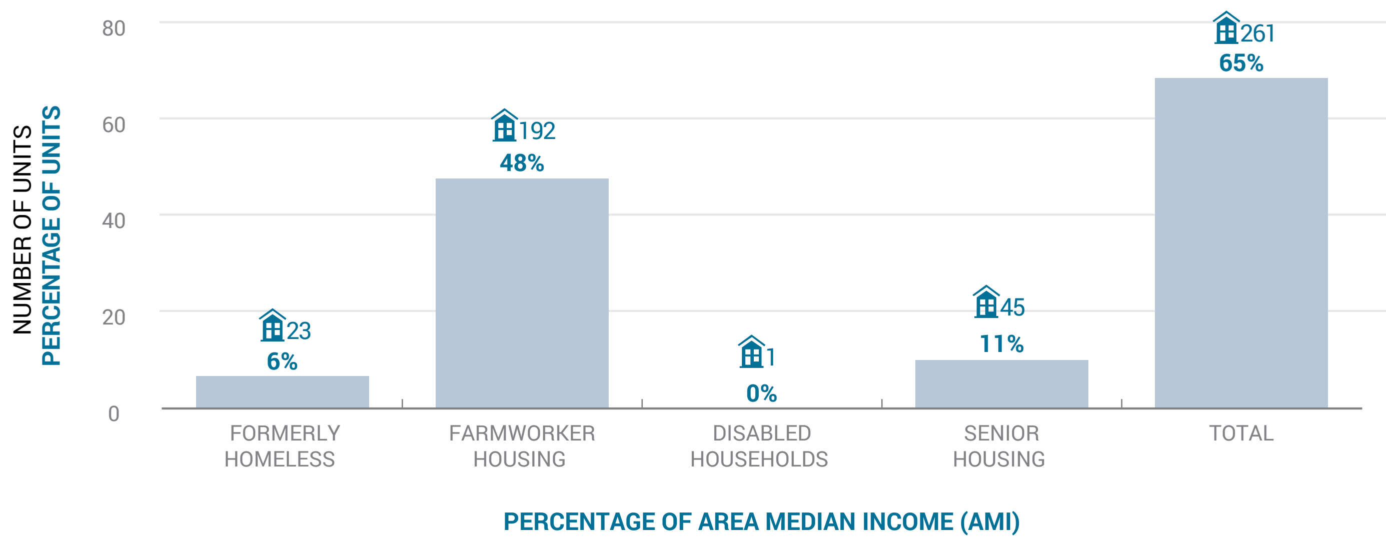
APPROVED AND FUNDED UNITS BY COUNTY / FY 2019:



FY 2019 UNITS BY INCOME SERVED / PERCENT OF AMI:



FY 2019 UNITS RESERVED FOR SPECIFIC POPULATIONS:



FY 2019 LOANS

FUNDED

Amount	$11,558,300
Number of Units	359
Sq. Ft. Economic Development	12,379

APPROVED

Amount	$4,482,000
Number of Units	86
Sq. Ft. Economic Development	6,819

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Washington Community Reinvestment
Association and Subsidiary

REPORT ON THE 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 position as of September 30, 2019 and 2018, 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, 2019 and 2018, 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.

EMPHASIS OF MATTER

As discussed in Note 11 to the consolidated financial statements, as of September 30, 2019, Washington Community Reinvestment Association adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presenting Financial Statement for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Everett, Washington
November 20, 2019

WCRA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30, 2018/19 2019	2018
CASH AND CASH EQUIVALENTS	$1,915,862	$1,702,664
INTEREST-BEARING DEPOSITS	2,251,658	2,213,416
INTEREST RECEIVABLE	468,371	488,685
ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	110,322	86,155
LOANS HELD FOR SALE	-	7,615,570
LOANS HELD FOR INVESTMENT / MEMBER INSTITUTIONS, net	90,333,155	84,092,817
LOANS HELD FOR INVESTMENT / WSHFC, net	5,706,084	5,605,774
LOANS HELD FOR INVESTMENT / RESERVE	41,685	45,552
RESTRICTED CASH	4,001,644	-
EQUIPMENT, net	9,106	12,284
TOTAL ASSETS	$104,837,887	$101,862,917

LIABILITIES AND NET ASSETS

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$279,270	$287,224
INTEREST PAYABLE	385,526	405,536
DEFERRED RENT PAYABLE	9,000	8,000
DEFERRED REVENUE	7,374	784
LOANS PAYABLE / WSHFC	5,720,678	5,634,080
NOTES PAYABLE / MEMBER INSTITUTIONS	89,469,036	90,947,710
GRANT FUNDS PAYABLE	4,001,644	-
Total liabilities	99,872,528	97,283,334
NET ASSETS WITHOUT DONOR RESTRICTIONS	4,965,359	4,579,583
TOTAL	$104,837,887	$101,862,917

WCRA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

	September 30, 2018/19 2019	2018
REVENUES		
Interest income	$5,612,009	$5,670,387
Agent fee income	113,191	107,100
Loan fees	69,538	65,549
Gain on sale of loans	166,151	262,886
Contributions and grants	3,410	10,000
Construction loan review revenue	191,441	176,251
TOTAL REVENUES	6,155,740	6,292,173
EXPENSES		
Interest expense	4,429,284	4,501,198
Salaries and related expenses	811,677	791,734
Professional fees	259,431	228,880
Office expenses	137,798	126,707
Other expenses	121,774	92,694
Contributions and grants	10,000	9,000
TOTAL EXPENSES	5,769,964	5,750,213
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	385,776	541,960
Net assets without donor restrictions, beginning of year	4,579,583	4,037,623
Net assets without donor restrictions, end of year	$4,965,359	$4,579,583

WCRA AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

	September 30, 2018/19 2019	2018
Cash received from		
Loan fees	$42,539	$40,232
Agent fee income	113,345	106,930
Interest	5,632,169	5,695,053
Contributions and grants	6,590	10,000
Funds received under Capital Agreement (Note 1)	4,001,644	-
Transfer of funds received under Capital Agreement to restricted cash (Note 1)	(4,001,644)	-
Construction loan review revenue	168,603	165,366
	5,963,246	6,017,581
Cash paid to		
Employees	(881,129)	(833,559)
Vendors	(495,801)	(461,131)
Prepayment fees	(25,576)	-
Interest	(4,449,295)	(4,526,880)
	(5,851,801)	(5,821,570)
NET CASH FROM OPERATING ACTIVITIES	111,445	196,011
CASH FLOWS FROM INVESTING ACTIVITIES		
Origination of loans held for investment	(11,127,100)	(17,633,000)
Loan principal collected on loans held for investment from member institutions and WSHFC	4,879,775	4,677,864
Proceeds from sale of loans	7,781,721	13,823,553
Purchase of equipment	(2,325)	(11,923)
Purchase of interest-bearing deposits	(1,862,169)	(1,686,060)
Maturity of interest-bearing deposits	1,823,927	1,162,855
NET CASH FROM INVESTING ACTIVITIES	1,493,829	333,289
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable from member institutions and WSHFC related to loans held for investment	11,127,100	17,633,000
Principal repayments on notes payable from member institutions and institutions and loans payable to WSHFC related to loans held for investment	(4,903,606)	(4,587,617)
Principal repayment of notes payable on loans sold	(7,615,570)	(13,560,667)
NET CASH FROM FINANCING ACTIVITIES	(1,392,076)	(515,284)
NET CHANGE IN CASH AND CASH EQUIVALENTS	213,198	14,016
CASH AND CASH EQUIVALENTS		
Beginning of year	1,702,664	1,688,648
End of year	$1,915,862	$1,702,664

RECONCILIATION OF CHANGE IN NET ASSETS

WITHOUT DONOR RESTRICTIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	September 30, 2018/19 2019	2018
Change in net assets without donor restrictions	$385,776	$541,960
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation	5,392	3,149
Gain on sale	(166,151)	(262,886)
Loss on disposal of equipment	111	259
Change in operating assets and liabilities		
Interest receivable	20,314	24,495
Accounts receivable and prepaid expenses	(24,167)	(12,330)
Deferred loan fees	(89,456)	(95,466)
Restricted cash	(4,001,644)	-
Grant funds payable	4,001,644	-
Accounts payable, accrued liabilities, and deferred revenue	(1,364)	18,511
Interest payable	(20,010)	(25,681)
Deferred rent payable	1,000	4,000
NET CASH FROM OPERATING ACTIVITIES	$111,445	$196,011
NONCASH TRANSACTIONS		
Noncash transfer from loans held for investment to loans held for sale	-	$10,229,392

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The Washington Community Reinvestment Association (WCRA) began operations 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 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 upon 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 of Washington. 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 covering substantially the same services as the previous contracts.

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 $11,500,000 at September 30, 2019. This line of credit 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 for a defaulted loan, the Association is not required to repay funds borrowed under this revolving line of credit. WSHFC loans are included in "loans held for investment – WSHFC" 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 of Washington. 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.

Effective July 1, 2018, the Association entered into a Capital Agreement with Commerce for the administration of the Early Learning Facilities Revolving Fund to provide grants and loans to eligible organizations for the planning, minor repair, renovation, construction, and purchase of early learning facilities. Under the terms of the Capital Agreement, the total contract amount of $5,000,000 is to be distributed from Commerce to the Association in two tranches. The first tranche of $4,000,000 was distributed to the Association in September 2019. The second tranche of $1,000,000 will be distributed to the Association within 15 business days following the verification by Commerce that a minimum of 80% of the first tranche was obligated or loaned. The contract ends June 30, 2029. The Association is acting as an agent on behalf of Commerce; therefore, the funds received are presented as restricted cash and a grant funds payable. $190,000 of the total contract amount is appropriated for project administration costs for work directly related to a financed project, including expenses related to processing applications, managing contracts, processing payments, and providing direct technical assistance to finance projects. The restricted cash has been set aside in a bank account separate from the operating accounts of the Association. Interest credited to this bank account has been reflected as an increase in restricted cash and an increase in the grant funds payable.

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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. All net assets of the Association are classified as without donor restrictions. The significant accounting policies followed are described below.

Cash and cash equivalents - Cash and cash equivalents are any highly liquid investment with an original maturity of three months or less and may exceed federally insured limits.

Interest-bearing deposit - Interest-bearing deposits consist of certificates of deposit and money market accounts, 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 - The Association will sometimes sell loans in order to manage their lending portfolio. Once management identifies a loan or pool of loans, the loans are transferred from held for investment to held for sale. Loans originated or transferred and held for sale are carried at the lower of cost or fair value as determined by aggregate outstanding commitments from investors or current investors' yield requirements. 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, 2019, and $7,615,570 of loans held for sale at September 30, 2018.

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.

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 collectability 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, 2019 and 2018, 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, 2019 and 2018, the amount of funds held for customers in escrow was $13,434,919 and $13,305,120, 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 donor restricted contributions received and spent in the same year are treated as contributions without donor restrictions.

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.

Net assets - Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

Net assets without donor restrictions -
Net assets that are not subject to donor restrictions as well as voluntary reserves such as separate components of board designated net assets.

Net assets with donor restrictions -
Net assets subject to donor-imposed stipulations. At September 30, 2019, there were no net assets subject to donor restrictions.

Use of estimates - The preparation of the consolidated financial statements in accordance 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, 2019 or 2018. 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, 2019 and 2018, there were no assets or liabilities measured at fair value on a recurring or nonrecurring 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 20, 2019, which is the date the consolidated financial statements are available to be issued, and no subsequent events occurred requiring accrual or disclosure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – EQUIPMENT

A summary of equipment at September 30 is as follows:

	2019	2018
Equipment	$56,999	$58,307
Less accumulated depreciation	(47,893)	(46,023)
	$9,106	$12,284

Depreciation expense for the years ended September 30, 2019 and 2018, was $5,392 and $3,149, respectively.

NOTE 4 - LOANS HELD FOR INVESTMENT

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

	2019	2018
Real estate		
Nontax-credit loans	$44,798,839	$37,427,537
Tax-credit loans	46,369,536	47,512,137
TOTAL MEMBER INSTITUTION LOANS	91,168,375	84,939,674
Reserve loans	41,685	45,552
WSHFC loans	5,667,686	5,582,908
TOTAL REAL ESTATE	96,877,746	90,568,134
Less		
Allowance for loan losses	(379,110)	(379,110)
Deferred loan fees, net	(417,712)	(444,881)
TOTAL	$96,080,924	$89,744,143
LOANS HELD FOR INVESTMENT / MEMBER INSTITUTIONS, net	$90,333,155	$84,092,817
LOANS HELD FOR INVESTMENT / WSHFC, net	5,706,084	5,605,774
LOANS HELD FOR INVESTMENT / RESERVE	41,685	45,552
TOTAL	$96,080,924	$89,744,143

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

	REAL ESTATE			
2019	**Nontax-Credit**	**Tax-Credit**	**Unallocated**	**2019**
Allowance for loan losses, beginning of year	$ 211,519	$ 141,343	$ 26,248	$ 379,110
Provision (benefit) for loan losses	28,847	(6,401)	(22,446)	-
Allowance for loan losses, end of year	$ 240,366	$ 134,942	$ 3,802	$ 379,110

	REAL ESTATE			
2018	**Nontax-Credit**	**Tax-Credit**	**Unallocated**	**2018**
Allowance for loan losses, beginning of year	$ 178,552	$ 148,602	$ 51,956	$ 379,110
Provision (benefit) for loan losses	32,967	(7,259)	(25,708)	-
Allowance for loan losses, end of year	$ 211,519	$ 141,343	$ 26,248	$ 379,110

During the years ended September 30, 2019 and 2018, the Association sold loans to member institutions as described in Note 9.

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. No allowance is recorded for loans held for investment- WSHFC and loans held for investment- reserve.

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, 2019 and 2018, the Association had no loans classified as doubtful or substandard.

The following tables represent the internally assigned grade as of September 30, 2019 and 2018, by type of loans:

CREDIT RISK PROFILE BY INTERNALLY ASSIGNED GRADE

	REAL ESTATE		
September 30, 2019	Nontax-Credit	Tax-Credit	Total
Member institution loans			
Grade			
Pass	$44,439,658	$45,295,590	$89,735,248
Watch	-	343,069	343,069
Special mention	359,181	730,877	1,090,058
	44,798,839	46,369,536	91,168,375
Reserve loans			
Grade			
Pass	41,685	-	41,685
WSHFC loans[(1)]			
Grade			
Pass	5,020,483	-	5,020,483
Watch	647,203	-	647,203
	5,667,686	-	5,667,686
	$50,508,210	$46,369,536	$96,877,746

CREDIT RISK PROFILE BY INTERNALLY ASSIGNED GRADE

	REAL ESTATE		
September 30, 2018	Nontax-Credit	Tax-Credit	Total
Member institution loans			
Grade			
Pass	$36,684,572	$46,013,146	$82,697,718
Watch	371,199	744,342	1,115,541
Special mention	371,766	754,649	1,126,415
	37,427,537	47,512,137	84,939,674
Reserve loans			
Grade			
Pass	45,552	-	45,552
WSHFC loans[(1)]			
Grade			
Pass	4,872,665	-	4,872,665
Watch	710,243	-	710,243
	5,582,908	-	5,582,908
	$43,055,997	$47,512,137	$90,568,134

There were no impaired loans, troubled debt restructured loans, or nonaccrual loans at September 30, 2019 and 2018.

There were no loans past due more than 90 days and still accruing interest at September 30, 2019 and 2018.

There were no loans past due 30 to 90 days at September 30, 2019 and 2018.

(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.

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, 2019 and 2018, the maximum limit on the line of credit was $85,575,000 and $84,575,000, respectively. The outstanding amounts were $67,482,751 (of which $54,319,186 was revolving and $13,163,565 was nonrevolving) and $67,916,883 (of which $51,624,436 was revolving and $16,292,447 was nonrevolving) as of September 30, 2019 and 2018, respectively, and $4,717,000 was approved to be funded for loan commitments (Note 8) as of September 30, 2019. 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%.

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, 2019 and 2018, the maximum limit on the line of credit was $26,312,000. The outstanding amounts were $18,538,440 (of which $15,842,556 was revolving and $2,695,884 was nonrevolving) and $18,554,822 (of which $15,774,352 was revolving and $2,780,470 was nonrevolving) as of September 30, 2019 and 2018, respectively, and $5,800,000 was approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2019. 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. 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, 2019 and 2018, the maximum limit on the line of credit was $11,025,000. As of September 30, 2019 and 2018, the outstanding amounts were $3,447,845 and $4,476,005, respectively, and $3,225,000 was approved to be funded for loan commitments (Note 8) on the line of credit as of September 30, 2019. Of these outstanding balances, no amounts were nonrevolving as of September 30, 2019 and 2018. 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. A nominal interest rate spread is retained by the Association to cover operating expenses.

Future minimum payments of notes payable – member institutions as of September 30, are as follows:

2020	$2,348,570
2021	3,077,388
2022	4,930,829
2023	9,117,866
2024	3,513,317
Thereafter	66,481,066
	$89,469,036

Notes payable – member institutions, at September 30, 2019, 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 have 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 $11,500,000. As of September 30, 2019 and 2018, the outstanding amounts were $5,720,678 and $5,634,080, respectively, and no funds were approved to be funded for loan commitments (Note 8) as of September 30, 2019. 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 as of September 30, are as follows:

2020	$614,792
2021	926,190
2022	261,992
2023	919,527
2024	1,026,687
Thereafter	1,971,490
	$5,720,678

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, 2019 and 2018, there were no 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, 2019, was $13,742,000, 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, are as follows:

2020	$99,453
2021	101,000
2022	34,000
	$234,453

Rental expense for the years ended September 30, 2019 and 2018, was $106,288 and $98,984, 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, 2019, are as follows:

2020	$2,640
2021	2,640
2022	2,640
2023	2,640
2024	1,320
	$11,880

Rental expense for the years ended September 30, 2019 and 2018, was $2,631 and $2,537, respectively, and is included in office expenses on the consolidated statements of activities.

The Association's copier lease expires in March 2024.

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, 2019 and 2018, were $2,251,097 and $2,212,855, respectively.

On October 1, 2015, the Association assumed the agent duties through 1200 Fifth LLC.

During the year ended September 30, 2019, eight loans with a principal balance of $7,645,944 were sold at the unpaid principal balance, plus $100 per loan and a premium (if applicable), to various related parties. Unamortized net deferred fees on these eight loans of $83,041 were recognized in income at the date of sale. Proceeds on the sale of loans totaled $7,781,721 and a gain on sale of $166,151 was recognized during the year ended September 30, 2019.

During the year ended September 30, 2018, eight loans with a principal balance of $13,638,154 were sold at the unpaid principal balance, plus $100 per loan and a premium (if applicable), to various related parties. Unamortized net deferred fees on these eight loans of $104,020 were recognized in income at the date of sale. Proceeds on the sale of loans totaled $13,823,553 and a gain on sale of $262,886 was recognized during the year ended September 30, 2018.

NOTE 10 – EMPLOYEE SAVINGS PLAN

The Association has a voluntary contribution 403(b) savings plan for all employees. For the years ended September 30, 2019 and 2018, 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, 2019 and 2018, the Association accrued contribution expenses of $41,751 and $38,861, respectively. These amounts are generally paid out in the following fiscal year subject to Board approval.

NOTE 11 – LIQUIDITY AND AVAILABILITY

The Association has $4,167,520 of financial assets available within one year of the date of the consolidated statements of financial condition to meet cash needs for general expenditures consisting of cash and short-term investments. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures.

Restricted cash received under the Capital Agreement with Commerce is not available for general expenditures of the Association.

The Association has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet near-term, normal operating expenses.

The Association has a policy to invest cash consistent with the preservation of capital and minimization of investment risk. As part of its liquidity management, the Association invests cash in excess of daily requirements in short-term investments.

WCRA STAFF

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Dulcie J. Claassen,
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Gary L. Murphy,
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