



Report of Independent Auditors
and Financial Statements with
Supplemental Information for

Washington Higher Education
Facilities Authority

June 30, 2014 and 2013

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Washington Higher Education Facilities Authority

Report on Financial Statements

We have audited the accompanying financial statements of the Washington Higher Education Facilities Authority, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Higher Education Facilities Authority as of June 30, 2014 and 2013, and the changes in its net position and results of its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements. The supplemental schedules of program net position, program revenues, expenses, and changes in program net position, and program cash flows on pages 20 through 22 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules of program net position, program revenues, expenses, and changes in program net position, and program cash flows are fairly stated in all material respects in relation to the financial statements as a whole.

Mess Adamo LLP

Seattle, Washington
October 27, 2014

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Washington Higher Education Facilities Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2014 and 2013. This overview and analysis is required by accounting principles generally accepted in the United States of America ("GAAP") and the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

During the fiscal year ended or as of June 30, 2014:

- Cash and investments totaled \$75.8 million, increasing by \$34.2 million as proceeds from bond issues were received to fund future project draws.
- Loans receivable, net of discounts, premiums, and unamortized bond insurance premiums increased \$26.5 million due to funding of \$127.0 million of four new loans and \$14.6 million funding of existing loans, partially offset by mortgage payments of \$115.1 million, including early payoff of four loans.
- At fiscal year-end, the Authority had total bonds and notes payable of \$773.1 million, net of premiums and discounts. This represents a net increase of \$59.0 million, or 8.3%, resulting from the issuance of 4 new bonds (\$174.1 million), offset by principal payments on bonds (\$115.1 million) that included \$96.1 million of three currently refunded bond issues.
- Bond interest expense increased by \$3.1 million due to the continued increase in bonds outstanding.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: Management's Discussion and Analysis, the financial statements, and the notes to the financial statements. The financial statements are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting. The financial statements report information for all Authority programs and operations. The statement of net position includes all of the Authority's assets and liabilities. All of the revenues and expenses of the Authority are reflected in the statement of revenues, expenses, and changes in net position.

In addition, program financial statements are presented as supplemental schedules. These statements separate the financial statements into the Restricted Bond Fund and General Operating Fund.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Outlook

Interest rates continue at near record low levels, creating an advantageous borrowing opportunity for our clients. Credit ratings on providers such as the monoline bond insurance companies and investment providers have continued to be lower than past levels and, in many cases, are under continued downward pressure. Financing structures have changed to reflect financial market conditions in which bond insurance or letter of credit backed bond issuances are no longer the norm. Instead, we have continued to see a much greater reliance on private placement of tax-exempt debt with lending institutions.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statements of Net Position

The following table summarizes the changes in assets, liabilities, and net position between the years ended June 30, 2014 and 2013 (in millions):

| | 2014 | 2013 | Change | |
|---|-----------------|-----------------|-----------------|--------|
| Assets | | | | |
| Cash and cash equivalents | \$ 18.3 | \$ 17.3 | \$ 1.0 | 5.8% |
| Investments | 57.5 | 24.3 | 33.2 | 136.6% |
| Accrued interest receivable | 5.3 | 4.6 | 0.7 | 15.2% |
| Loans receivable, net | 702.1 | 675.6 | 26.5 | 3.9% |
| Prepaid fees and other assets | 1.2 | 1.3 | (0.1) | (7.7%) |
| Total assets | <u>\$ 784.4</u> | <u>\$ 723.1</u> | <u>\$ 61.3</u> | 8.5% |
| Liabilities | | | | |
| Accrued interest payable | \$ 5.7 | \$ 4.7 | \$ 1.0 | 21.3% |
| Amounts due to borrower and other payables | 3.4 | 2.0 | 1.4 | 70.0% |
| Bonds payable, net | <u>773.1</u> | <u>714.1</u> | <u>59.0</u> | 8.3% |
| Total liabilities | <u>\$ 782.2</u> | <u>\$ 720.8</u> | <u>\$ 61.4</u> | 8.5% |
| Net Position | | | | |
| Unrestricted | <u>\$ 2.2</u> | <u>\$ 2.3</u> | <u>\$ (0.1)</u> | (4.3%) |

**WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)

Statements of Revenues, Expenses and Changes in Net Position

The following table summarizes the changes in revenues and expenses between the years ended June 30, 2014 and 2013 (in millions):

| | <u>2014</u> | <u>2013</u> | <u>Change</u> | |
|---|-----------------|----------------|-----------------|----------|
| Revenues | | | | |
| Bond programs loan interest | \$ 24.8 | \$ 21.4 | \$ 3.4 | 15.9% |
| Program fees and General Operating Fund interest income | <u>1.7</u> | <u>1.8</u> | <u>(0.1)</u> | (5.6%) |
| Total revenues | <u>\$ 26.5</u> | <u>\$ 23.2</u> | <u>\$ 3.3</u> | 14.2% |
| Expenses | | | | |
| Bond programs interest expense | \$ 25.3 | \$ 22.2 | \$ 3.1 | 14.0% |
| Other bond programs expenses | 1.0 | 0.5 | 0.5 | 100.0% |
| General Operating Fund expenses | <u>0.3</u> | <u>0.3</u> | - | - |
| Total expenses | <u>\$ 26.6</u> | <u>\$ 23.0</u> | <u>\$ 3.6</u> | 15.7% |
| Change in net position | <u>\$ (0.1)</u> | <u>\$ 0.2</u> | <u>\$ (0.3)</u> | (150.0%) |

Loan related interest earnings (\$24.8 million) and bond interest expense (\$25.3 million) are the primary components of total revenues and expenses, respectively, for the bond programs.

During the year ended June 30, 2014, the Authority's revenue in the General Operating Fund was \$229,476, 98.8% of which were issuer fees. General operating expenses of \$303,537 are comprised of salaries and wages and other professional fees.

DEBT ADMINISTRATION

The Authority has debt obligations of \$773.1 million, net of bond discounts and premiums at June 30, 2014. The Authority's bond funds are held by trustees, who ensure that payments of debt service, funding of necessary reserves and other bond resolution requirements are met. At June 30, 2014, amounts held by trustees represent full funding of these requirements.

Most of the debt issued by the Authority is tax-exempt and is issued under the Internal Revenue Code and Treasury Regulations governing mortgage revenue bonds. The bonds sold to provide loans to nonprofit higher education facilities are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT ADMINISTRATION (CONTINUED)

The loans, which may be secured by real and/or personal property, are used by the higher education facilities for capital and equipment acquisitions and/or improvements. These bonds are not subject to the limitation of the federal Tax Reform Act of 1986, which imposes an annual ceiling on the aggregate amount of bonds that may be issued during any calendar year by, or on behalf, of states and their political subdivisions.

The Authority has no general obligation bonds and does not currently have an issuer credit rating. The Authority's authorized debt limit is \$1 billion.

Additional information on the Authority's debt obligations can be found in Note 6 of this report.

COMPARISON OF FISCAL YEAR 2013 WITH 2012

Statements of Net Position

The following table summarizes the changes in combined net position between June 30, 2013 and 2012 (in millions):

| | <u>2013</u> | <u>2012</u> | <u>Change</u> | |
|---|-----------------|-----------------|----------------|---------|
| Assets | | | | |
| Cash and cash equivalents | \$ 17.3 | \$ 9.1 | \$ 8.2 | 90.1% |
| Investments | 24.3 | 33.1 | (8.8) | (26.6%) |
| Accrued interest receivable | 4.6 | 4.3 | 0.3 | 7.0% |
| Loans receivable, net | 675.6 | 641.0 | 34.6 | 5.4% |
| Prepaid fees and other assets | 1.3 | 1.3 | - | - |
| Total assets | <u>\$ 723.1</u> | <u>\$ 688.8</u> | <u>\$ 34.3</u> | 5.0% |
| Liabilities | | | | |
| Accrued interest payable | \$ 4.7 | \$ 4.3 | \$ 0.4 | 9.3% |
| Amounts due to borrower and other payables | 2.0 | 2.5 | (0.5) | (20.0%) |
| Bonds payable, net | 714.1 | 679.9 | 34.2 | 5.0% |
| Total liabilities | <u>\$ 720.8</u> | <u>\$ 686.7</u> | <u>\$ 34.1</u> | 5.0% |
| Net Position | | | | |
| Unrestricted | <u>\$ 2.3</u> | <u>\$ 2.1</u> | <u>\$ 0.2</u> | 9.5% |

**WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

COMPARISON OF FISCAL YEAR 2013 WITH 2012 (CONTINUED)

Statements of Revenues, Expenses and Changes in Net Position

The following table summarizes the combined changes in net position activity between the fiscal years 2013 and 2012 (in millions):

| | <u>2013</u> | <u>2012</u> | <u>Change</u> | |
|---|----------------|----------------|---------------|---------|
| Revenues | | | | |
| Bond programs loan interest | \$ 21.4 | \$ 20.0 | \$ 1.4 | 7.0% |
| Program fees and General Operating Fund interest income | <u>1.8</u> | <u>1.3</u> | <u>0.5</u> | 38.5% |
| Total revenues | <u>\$ 23.2</u> | <u>\$ 21.3</u> | <u>\$ 1.9</u> | 8.9% |
| Expenses | | | | |
| Bond programs interest expense | \$ 22.2 | \$ 20.2 | \$ 2.0 | 9.9% |
| Other bond programs expenses | 0.5 | 0.6 | (0.1) | (16.7%) |
| General Operating Fund expenses | <u>0.3</u> | <u>0.3</u> | <u>-</u> | - % |
| Total expenses | <u>\$ 23.0</u> | <u>\$ 21.1</u> | <u>\$ 1.9</u> | 9.0% |
| Change in net position | <u>\$ 0.2</u> | <u>\$ 0.2</u> | <u>\$ -</u> | - % |

During the fiscal year ended June 30, 2013, the Authority's combined total assets increased by \$34.3 million primarily due to the increase of loans receivable due to the funding of four new loans during the year.

ADDITIONAL INFORMATION

Questions and inquiries may be directed to the Senior Director of Finance or the Senior Controller at Washington Higher Education Facilities Authority, 1000 2nd Avenue, Suite 2700, Seattle, Washington 98104 (206-464-7139).

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
STATEMENTS OF NET POSITION

| | June 30, | |
|-------------------------------------|-----------------------|-----------------------|
| | 2014 | 2013 |
| ASSETS | | |
| CASH AND CASH EQUIVALENTS | \$ 18,313,950 | \$ 17,325,082 |
| INVESTMENTS | 57,541,415 | 24,314,234 |
| ACCRUED INTEREST RECEIVABLE | 5,254,399 | 4,601,040 |
| LOANS RECEIVABLE, net | 702,142,277 | 675,639,144 |
| PREPAID FEES AND OTHER ASSETS | <u>1,153,814</u> | <u>1,240,663</u> |
| TOTAL ASSETS | <u>\$ 784,405,855</u> | <u>\$ 723,120,163</u> |
| LIABILITIES AND NET POSITION | | |
| ACCRUED INTEREST PAYABLE | <u>\$ 5,716,232</u> | <u>\$ 4,650,507</u> |
| AMOUNTS DUE TO BORROWER | <u>3,322,933</u> | <u>1,951,392</u> |
| ACCOUNTS PAYABLE | <u>38,485</u> | <u>165,992</u> |
| BONDS PAYABLE | | |
| Interest bonds | 746,485,024 | 706,243,447 |
| Taxable bonds | 20,000,000 | - |
| Unamortized bond premium | 8,857,508 | 9,513,408 |
| Unamortized bond discount | <u>(2,220,247)</u> | <u>(1,684,564)</u> |
| | <u>773,122,285</u> | <u>714,072,291</u> |
| TOTAL LIABILITIES | 782,199,935 | 720,840,182 |
| NET POSITION | | |
| Unrestricted | <u>2,205,920</u> | <u>2,279,981</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 784,405,855</u> | <u>\$ 723,120,163</u> |

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | Years Ended June 30, | |
|--|----------------------|---------------------|
| | 2014 | 2013 |
| REVENUES | | |
| Interest earned on loans and investments | \$ 24,827,647 | \$ 21,388,924 |
| Fee income | 1,658,102 | 1,814,061 |
| | <u>26,485,749</u> | <u>23,202,985</u> |
| EXPENSES | | |
| Interest on debt | 25,273,087 | 22,145,362 |
| Amortization of bond premium | (655,900) | (954,289) |
| Amortization of bond discount | 118,956 | 101,760 |
| Bond issuance costs | 1,431,358 | 1,282,285 |
| Amortization of bond insurance premium | 88,772 | 92,857 |
| Communication and office expense | 250,851 | 248,773 |
| Professional fees | 52,686 | 71,017 |
| | <u>26,559,810</u> | <u>22,987,765</u> |
| CHANGE IN NET POSITION | (74,061) | 215,220 |
| NET POSITION | | |
| Beginning of year | <u>2,279,981</u> | <u>2,064,761</u> |
| End of year | <u>\$ 2,205,920</u> | <u>\$ 2,279,981</u> |

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
STATEMENTS OF CASH FLOWS

| | Years Ended June 30, | |
|--|-----------------------|-----------------------|
| | 2014 | 2013 |
| OPERATING ACTIVITIES | | |
| Interest received on loans | \$ 25,624,424 | \$ 22,430,768 |
| Cash received from fee income | 226,744 | 518,309 |
| Cash received from loan repayments | 115,141,519 | 66,377,986 |
| Cash payments for acquisition of loans | (141,615,379) | (100,863,383) |
| Cash payments for bond program expenses | (714,456) | 1,799,207 |
| Salaries, benefits, and vendor payments | (432,966) | (226,811) |
| Net cash used for operating activities | <u>(1,770,114)</u> | <u>(9,963,924)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (65,012,319) | (33,011,595) |
| Sale of investments | 31,755,866 | 41,614,534 |
| Interest paid on investments | (18,784) | (28,895) |
| Net cash provided by (used for) investing activities | <u>(33,275,237)</u> | <u>8,574,044</u> |
| CAPITAL FINANCING ACTIVITIES | | |
| Proceeds from issuance of bonds and notes | 175,383,096 | 97,793,904 |
| Interest paid on debt | (24,207,358) | (21,808,155) |
| Debt repayments | (115,141,519) | (66,377,986) |
| Net cash provided by financing activities | <u>36,034,219</u> | <u>9,607,763</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 988,868 | 8,217,883 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>17,325,082</u> | <u>9,107,199</u> |
| End of year | <u>\$ 18,313,950</u> | <u>\$ 17,325,082</u> |
| RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH FROM OPERATING ACTIVITIES | | |
| Change in net position | \$ (74,061) | \$ 215,220 |
| Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities | | |
| Amortization of loan discount | (118,956) | (101,760) |
| Amortization of loan premium | 655,900 | 954,289 |
| Amortization of prepaid bond insurance | (88,772) | (92,857) |
| Amortization of bond discount | 118,956 | 101,760 |
| Amortization of bond premium | (655,900) | (954,289) |
| Amortization of bond insurance premium | 88,772 | 92,857 |
| Cash from changes in operating assets and liabilities | | |
| Acquisition of loans | (141,615,379) | (100,863,383) |
| Repayments of loans | 115,141,519 | 66,377,986 |
| Interest and other receivables | (607,227) | (66,270) |
| Interest and other payables | <u>25,385,034</u> | <u>24,372,523</u> |
| Net cash used for operating activities | <u>\$ (1,770,114)</u> | <u>\$ (9,963,924)</u> |

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1 - Description of Business

The Washington Higher Education Facilities Authority (the "Authority") was created in 1983 in accordance with the Chapter 28B.07 of the Revised Code of Washington ("RCW"). The Authority was formally activated in 1984 with the appointment of five board members. The Authority's purpose is to reduce the financing costs of higher education facilities through the issuance of tax-exempt, nonrecourse revenue bonds, and to loan the proceeds to qualified, not-for-profit higher education institutions in Washington State. The institutions may use the bond proceeds for refinancing taxable or tax-exempt debt, remodeling, construction, purchase of equipment, or other approved purposes. The Authority's debt limit is \$1 billion.

Effective July 22, 2007, the Authority was granted the power to originate and purchase student loans, to participate in federal programs that provide guarantees for the repayment of educational loans and to issue revenue bonds payable from and secured by educational loans. Revenue bonds so secured are to be excluded from the debt limit of \$1 billion. As of the date of this report, no such revenue bonds have been issued.

The Authority is a legally separate entity from, and incurs no expense or liability to, the State of Washington. Although the governor and lieutenant governor sit on the board and the governor appoints the public members of the board, the State of Washington is not considered to be financially accountable due to the restricted ability of the Washington State legislature to impose its will on the Authority and a lack of any financial dependency of the Authority on any State appropriations. The Authority does not impose a financial burden on, nor is there a benefit to, the State; however, in the June 30, 2013 State of Washington Comprehensive Annual Financial Report (CAFR), the Authority is presented as a discrete component unit of the State of Washington.

Program Funds:

The Authority summarizes its financial activities in two funds:

General Operating Fund: The General Operating Fund was established by the Authority to account for the fiscal activities related to the administration of its ongoing program responsibilities. Revenues of the General Operating Fund are derived primarily from fees earned on bond issues and interest income on operating investments. All funds received by the Authority are generated by its activities. Expenditures are not appropriations from the State.

Bond Fund: The financial activities of all Authority-issued bonds, including the proceeds from the sale of mortgage revenue bonds and the debt service requirements of these bonds, are recorded in the bond fund. Bonds issued by the Authority are conduit debt, i.e., limited-obligation bonds issued by the Authority for the express purpose of providing financing for a specific third party that is not a part of the Authority's financial reporting entity. Although the conduit debt securities bear the name of the Authority, it has no obligation for such debt beyond the resources provided by the loan with the third party on whose behalf they are issued.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1 - Description of Business (Continued)

At the time of bond issuance, the Authority generally assigns its rights, title, and interest in the loan agreement (with certain exceptions and reservations), and in any collateral securing the loan, to a bond trustee pursuant to a trust indenture. The bond trustee administers the bond issue. The bonds, which constitute a special obligation of the Authority, are payable solely from the bond fund established pursuant to the indenture, and are funded primarily from payments made by the not-for-profit higher education institutions to satisfy the loan agreement and from any other money held by the bond trustee pursuant to the indenture. As such, the assets so pledged were \$782.2 million as of June 30, 2014. The obligation of the not-for-profit colleges and universities to repay the loan is absolute and unconditional.

The bonds do not constitute a general, moral, or special obligation of the State of Washington, a pledge of the faith and credit of the State, or a general obligation of the Authority. The owners of the bonds have no right to require the State of Washington or the Authority, nor has the State of Washington or the Authority any obligation or legal authorization, to levy any taxes or appropriate or expend any of its funds for the payment of principal thereof, premium, if any, or interest thereon.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has applied all applicable GASB pronouncements. The most significant of the Authority's accounting policies are described below.

Measurement Focus and Basis of Accounting - All program and general operating funds of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position for all funds present increases (e.g., revenues) and decreases (e.g., expenses) in net position. These funds utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Unclassified Statement of Net Position - The Authority's business cycle is greater than one year. As such, all assets and liabilities as shown on the statement of net position are unclassified.

Cash and Cash Equivalents - Cash deposits in the bond issues are held in the corporate trust departments of commercial banks in the bond issue's name. As of June 30, 2014 there were no uncollateralized or uninsured cash equivalents held in the bond fund. Cash deposits held by the General Operating Fund are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

For purposes of the statement of cash flows, the Authority considers all highly liquid, interest-bearing instruments purchased with an original maturity of three months or less that are readily convertible to cash to be cash and cash equivalents.

Investments - Investments are comprised of certificates of deposit, commercial paper, and US government backed securities as of June 30, 2014. Commercial Paper and U.S. government backed securities are stated at market value as of June 30, 2014. The Authority's Trustee holds all of the Authority's investments in the name of the Authority.

Loans Receivable, Net - Loans receivable are stated at their unpaid principal balance, increased by premiums or reduced by unearned discounts, and unamortized bond insurance premiums which are amortized over the life of the loan.

No loan loss provisions have been considered necessary as the Authority requires each bond issue to be rated in the investment grade category by Standard & Poor's, Moody's or Fitch or to be privately-placed with a sophisticated investor. In addition to those borrowers whose natural rating is below investment grade, most borrowers have the assets held by all the outstanding indentures secured by letters of credit (LOCs) or bond insurance, issued by either a third-party bank or insurance company, of which payment is guaranteed.

Prepaid Fees - Prepaid fees in the Bond Fund represent prepaid mortgage insurance, which is an agreement by a third party to make payment of required debt service in accordance with the terms of the loan agreement on behalf of the borrower in the event they are unable to make the required payments.

Amounts Due to Borrower - Amounts due to borrower consist of funds that are to be requisitioned by borrower but have not yet been disbursed as well as reserve funds that are prescribed by bond indentures.

Bonds Payable - Interest serial and term bonds are stated at their principal amounts outstanding, net of unamortized bond discount or premium, if any.

Unamortized Bond Discounts and Premiums - Unamortized bond discounts or premiums and unamortized bond insurance premiums are amortized using the bonds outstanding method.

Bond Issuance Costs - Bond issuance costs, including underwriter's fees, are expensed at issuance.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition - The primary source of revenue for the Authority is interest earned on its loans outstanding and investments. This revenue is used to pay interest expense on the bonds outstanding. In addition, the Authority earns annual fees charged on the loan amounts outstanding. Interest and fees are recognized on an accrual basis.

Income Taxes - The Authority is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115(a) and, accordingly, no provision for income taxes was made for the years ended June 30, 2014 and 2013.

Extinguishment of Debt - Any costs related to the extinguishment of debt are funded by the borrower, and as such do not create an expense to the Authority.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates.

Unrestricted Net Position - The unrestricted net position balances at June 30, 2014 and 2013 were \$2,205,920 and \$2,279,981, respectively, and consist of funds provided for general operations.

Arbitrage Rebate - No arbitrage rebate is owed to the United States Treasury for the years ended June 30, 2014 and 2013.

Note 3 - Investments

Bond Program Investment Policy - The trust indenture for each bond issue establishes the permitted investments. Although all of the program funds must be used for program purposes, certain funds have been restricted for payment of debt service as required by the indentures.

Operating Fund Investment Policy - The Authority can invest in nongovernmental investments, including certificates of deposit, banker's acceptances, and repurchase agreements.

In addition, the following governmental investments are eligible:

1. Treasury bills, notes, and other obligations issued by the United States Department of the Treasury and backed by the full faith and credit of the US government.
2. Federal Home Loan Bank notes and bonds.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments (Continued)

3. Federal Land Bank bonds.
4. Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.
5. The obligations of certain government-sponsored corporations whose obligations are eligible as collateral for advances to member banks, as determined by the Board of Governors of the Federal Reserve System.
6. Shares of mutual funds with portfolios consisting of only US government bonds or US government guaranteed bonds issued by federal agencies with average maturities less than four years.
7. Investments in state investment pool – the Authority is a voluntary participant in the Local Agency Investment Pool operated by the State Treasurer pursuant to RCW 43.250. Investments in the pool are reported at fair value.

As of June 30, 2014, \$25.4 million of the Authority's investments in the bond program are comprised of US government backed securities and \$1.2 million is invested in certificates of deposit (CDs). The CDs are issued by US Bank and rated AAA. The remaining \$30.9 million of the Authority's investments at June 30, 2014 in the bond program are comprised of commercial paper issued by institutions whose credit rating is either at least equivalent to the rating on the bonds being issued and for terms specified in the indentures. Should institution credit ratings fall, collateral may be required. Should posting of collateral occur, the collateral is held by the trustee in the name of the Authority and, therefore; is not subject to custodial credit risk. The Authority places no limit on the amount the Authority may invest in any one provider, potentially exposing it to a concentration of credit risk.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments (Continued)

The schedule below provides the weighted average of both the interest rates and terms as well as the percentage of total investments held by each provider. However, as a conduit issuer, this risk accrues directly to the borrower.

| Provider | Weighted Average of Term (Years) | Weighted Average of Rate | Total Investment | Percent of Total Investment |
|---|---|--------------------------------|----------------------|-----------------------------------|
| Abbey National NA LLC Commercial Paper | 0.23 | 0.16% | \$ 9,630,605 | 16.73% |
| Credit Agricole NA Commercial Paper | 0.003 | 0.08% | 3,790,000 | 6.59% |
| Credit Suisse AG Commercial Paper | 0.25 | 0.16% | 4,857,522 | 8.44% |
| JPM SEC LLC Commercial Paper | 0.07 | 0.10% | 4,039,636 | 7.02% |
| Lloyds Bank PLC Commercial Paper | 0.29 | 0.17% | 4,117,569 | 7.16% |
| Union Bank NA Commercial Paper | 0.31 | 0.14% | 4,537,185 | 7.89% |
| Federal National Mortgage Association Mortgage Note | 1.33 | 2.02% | 4,068,890 | 7.07% |
| Federal National Mortgage Association Mortgage Bond | 1.16 | 0.46% | 4,140,425 | 7.20% |
| Federal Home Loan Mortgage Company Mortgage Note | 1.36 | 3.03% | 7,501,670 | 13.04% |
| Federal Home Loan Mortgage Company Mortgage Bond | 1.70 | 3.13% | 1,331,980 | 2.31% |
| US Treasury Notes | 1.69 | 1.34% | 8,314,583 | 14.45% |
| US Bank National Certificate of Deposit | 2.71 | 1.45% | 1,211,350 | 2.10% |
| | | | <u>\$ 57,541,415</u> | <u>100.00%</u> |

All other excess bond funds are held as cash and cash equivalents.

Note 4 - Loans Receivable, Net

The loans receivable balances in the Restricted Bond Funds at June 30, 2014 and 2013 are comprised of the following:

| | 2014 | 2013 |
|-------------------------|-----------------------|-----------------------|
| Loans receivable | \$ 696,639,349 | \$ 669,033,402 |
| Discount on loans | (2,220,247) | (1,684,564) |
| Mortgage premiums | 8,857,506 | 9,513,408 |
| Bond insurance premiums | (1,137,765) | (1,226,536) |
| | <u>\$ 702,138,843</u> | <u>\$ 675,635,710</u> |

Note 5 - Contracted Staff Services

The Washington State Housing Finance Commission provides staff and other administrative services to the Authority. Total charges were \$222,263 and \$214,020 for the years ended June 30, 2014 and 2013, respectively. The Authority has no directly hired staff and as such has no pension obligations. The Authority has amounts payable to the Commission of \$33,243 and \$159,134 at June 30, 2014 and 2013, respectively.

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 6 - Bonds Payable

The bonds are limited obligations of the Authority payable solely from, and secured by, a pledge of the mortgage loans (including any insurance payments made with respect thereto), restricted investments, and undisbursed bond proceeds and the earnings thereon held under the indenture authorizing the bonds.

As of June 30, 2014, the Authority had outstanding bonds of \$773.1 million. The bonds bear interest ranging from 0.05% to 6.25% and mature in varying amounts through fiscal year 2049. Bonds outstanding at June 30, 2014 and 2013 are as follows:

| Series | Balance Outstanding | |
|---|-----------------------|-----------------------|
| | 2014 | 2013 |
| University of Puget Sound 1998 | \$ 400,000 | \$ 775,000 |
| University of Puget Sound 2001 | 10,390,000 | 10,425,000 |
| Seattle University 2003 | - | 1,030,000 |
| Whitman College 2005 | 28,770,000 | 28,770,000 |
| Walla Walla College 2005 | 2,122,862 | 2,340,623 |
| Seattle University 2006 | 18,715,000 | 19,405,000 |
| Pacific Lutheran University 2006 | 54,495,000 | 55,760,000 |
| Heritage University 2007 | - | 1,699,798 |
| Saint Martins University | - | 32,520,000 |
| Seattle University '07A | 36,700,000 | 37,400,000 |
| Seattle University '07B | 20,470,000 | 21,585,000 |
| Whitworth 2009 | 59,955,000 | 60,955,000 |
| Whitman College 2008 | 28,085,000 | 28,800,000 |
| Seattle Pacific University 2008 Refunding | - | 64,555,000 |
| Gonzaga 2009 | 35,545,000 | 36,645,000 |
| Seattle University 2009 | 41,775,000 | 41,775,000 |
| Gonzaga 2009 B | 51,860,000 | 52,660,000 |
| Gonzaga 2010 A | 30,445,000 | 33,785,000 |
| Cornish College 2010 | 20,323,000 | 20,323,000 |
| Seattle University 2011 | 13,655,000 | 14,120,000 |
| Whitworth University 2012 | 19,250,000 | 19,500,000 |
| Bastyr University 2012 | 22,954,967 | 23,621,122 |
| University of Puget Sound Series 2012 A | 34,805,000 | 34,805,000 |
| Gonzaga University 2012 AB | 10,435,000 | 9,293,904 |
| University of Puget Sound Series 2012 B | 28,655,000 | 29,195,000 |
| Pacific NW University of Health Sciences | 24,500,000 | 24,500,000 |
| Heritage University 2013 | 5,969,195 | - |
| Seattle Pacific University 2013 | 83,675,000 | - |
| Gonzaga 2013 | 53,000,000 | - |
| Saint Martins University 2014 | 29,535,000 | - |
| | <u>766,485,024</u> | <u>706,243,447</u> |
| Unamortized Bond Premium | 8,857,508 | 9,513,408 |
| Unamortized Bond Discount | <u>(2,220,247)</u> | <u>(1,684,564)</u> |
| | <u>\$ 773,122,285</u> | <u>\$ 714,072,291</u> |

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 6 - Bonds Payable (Continued)

Future principal and interest requirements are shown in the following table:

| Years Ending June 30, | Principal Redemption | Interest Requirements | Total |
|--------------------------|-------------------------|--------------------------|-------------------------|
| 2015 | \$ 15,975,688 | \$ 27,423,943 | \$ 43,399,631 |
| 2016 | 17,281,106 | 26,837,689 | 44,118,795 |
| 2017 | 17,673,970 | 26,186,341 | 43,860,311 |
| 2018 | 18,290,016 | 25,535,026 | 43,825,042 |
| 2019 | 19,217,282 | 24,819,371 | 44,036,653 |
| 2020-2024 | 106,471,256 | 111,929,405 | 218,400,661 |
| 2025-2029 | 149,604,088 | 88,901,050 | 238,505,138 |
| 2030-2034 | 135,607,881 | 63,075,038 | 198,682,919 |
| 2035-2039 | 184,413,059 | 39,840,666 | 224,253,725 |
| 2040-2044 | 98,590,678 | 12,473,910 | 111,064,588 |
| 2045-2049 | 3,360,000 | 270,900 | 3,630,900 |
| | <u>\$ 766,485,024</u> | <u>\$ 447,293,339</u> | <u>\$ 1,213,778,363</u> |

Changes in bonds outstanding during the fiscal year ended June 30, 2014 are summarized in the following table:

| June 30, 2013 | Issued | Redeemed | June 30, 2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>\$ 706,243,447</u> | <u>\$ 175,383,096</u> | <u>\$ 115,141,519</u> | <u>\$ 766,485,024</u> |

Bond Defeasance - The Heritage University 2007 bonds totaling \$1,499,678 were defeased on October 28, 2013 by the Heritage University 2013 Series A fixed-rate bond transaction of \$1,655,000. On December 19, 2013, the Seattle Pacific University 2013, Series A-C variable rate bond transaction of \$63,135,000 was used to defease the Seattle Pacific University 2008 bonds totaling \$62,800,000. The Saint Martins University 2007 bonds in the amount of \$31,815,000 were defeased on April 24, 2014 by the Saint Martins University 2014 Refunding variable rate bond transaction of \$33,535,000. Each of the defeasances during the fiscal year ending 2014 were current refundings.

Bond issues defeased as advanced refundings in prior fiscal years carry outstanding balances as of June 30, 2014 as follows:

| Bond Issue | Defeased | Outstanding Balance | Final Payoff |
|-------------------------|---------------|------------------------|--------------|
| Gonzaga University 2004 | June 2007 | \$ 18,730,000 | October 2014 |
| Whitworth 2006 | November 2009 | <u>10,725,000</u> | October 2027 |
| | | <u>\$ 29,455,000</u> | |

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS

Note 6 - Bonds Payable (Continued)

The Authority defeased these bonds by placing investments in separate irrevocable trusts to provide for all future debt service payments on the bonds. Accordingly, neither the assets of the respective trust accounts or the liabilities for the defeased bonds are reflected in the Authority's financial statements. Funds held in the respective trust accounts are assumed sufficient to service and redeem the defeased bonds. While the Authority is the issuer of both the refunding and refunded bonds, due to the conduit nature of the bond transactions, any cash flow and economic gain or loss is borne by the borrower.

Note 7 - Commitments

The Authority has committed to fund loans from related bond proceeds for projects currently in their construction phase or otherwise committed to repay the bond. Loan commitments were \$69,993,861 as of June 30, 2014.

Note 8 - Contingencies

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; natural disasters; and acts of terrorism for which the agency carries commercial insurance. As of June 30, 2014, there were no known asserted or unasserted claims or judgments against the Authority.

Members of the board of directors and persons acting on the Authority's behalf, while acting within the scope of their duties or employment, shall not be subject to any personal liability resulting from carrying out the powers and duties conferred on them, and shall have the indemnification rights under the provisions of the Authority's Public Officials and Employees Liability insurance policy.

Note 9 - Subsequent Events

Subsequent to June 30, 2014, the Authority has issued \$11.0 million in additional bonds and the trustees, under the normal and early redemption provisions of the trust indenture, have redeemed \$4.6 million in bonds.

SUPPLEMENTAL INFORMATION

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
SCHEDULES OF PROGRAM NET POSITION

| ASSETS | Restricted Bond Funds | General Operating Fund | June 30, | |
|---------------------------------------|-----------------------------|------------------------------|-----------------------|-----------------------|
| | | | 2014 | 2013 |
| CASH AND CASH EQUIVALENTS | \$ 16,089,049 | \$ 2,224,901 | \$ 18,313,950 | \$ 17,325,082 |
| INVESTMENTS | 57,541,415 | - | 57,541,415 | 24,314,234 |
| ACCRUED INTEREST RECEIVABLE | 5,254,379 | 20 | 5,254,399 | 4,601,040 |
| LOANS RECEIVABLE, net | 702,138,843 | 3,434 | 702,142,277 | 675,639,144 |
| PREPAID FEES AND OTHER ASSETS | <u>1,137,764</u> | <u>16,050</u> | <u>1,153,814</u> | <u>1,240,663</u> |
| TOTAL ASSETS | <u>\$ 782,161,450</u> | <u>\$ 2,244,405</u> | <u>\$ 784,405,855</u> | <u>\$ 723,120,163</u> |
| LIABILITIES AND NET POSITION | | | | |
| ACCRUED INTEREST PAYABLE | <u>\$ 5,716,232</u> | <u>\$ -</u> | <u>\$ 5,716,232</u> | <u>\$ 4,650,507</u> |
| AMOUNTS DUE TO BORROWER | <u>3,322,933</u> | <u>-</u> | <u>3,322,933</u> | <u>1,951,392</u> |
| ACCOUNTS PAYABLE | <u>-</u> | <u>38,485</u> | <u>38,485</u> | <u>165,992</u> |
| BONDS PAYABLE | | | | |
| Interest bonds | 746,485,024 | - | 746,485,024 | 706,243,447 |
| Taxable Bonds | 20,000,000 | - | 20,000,000 | - |
| Unamortized bond premium | 8,857,508 | - | 8,857,508 | 9,513,408 |
| Unamortized bond discount | <u>(2,220,247)</u> | <u>-</u> | <u>(2,220,247)</u> | <u>(1,684,564)</u> |
| | <u>773,122,285</u> | <u>-</u> | <u>773,122,285</u> | <u>714,072,291</u> |
| TOTAL LIABILITIES | 782,161,450 | 38,485 | 782,199,935 | 720,840,182 |
| NET POSITION | | | | |
| Unrestricted | <u>-</u> | <u>2,205,920</u> | <u>2,205,920</u> | <u>2,279,981</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 782,161,450</u> | <u>\$ 2,244,405</u> | <u>\$ 784,405,855</u> | <u>\$ 723,120,163</u> |

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
SCHEDULES OF PROGRAM REVENUES, EXPENSES,
AND CHANGES IN PROGRAM NET POSITION

| | Restricted Bond Funds | General Operating Fund | Years Ended June 30, | |
|---|-----------------------------|------------------------------|----------------------|---------------------|
| | | | 2014 | 2013 |
| REVENUES | | | | |
| Interest earned on loans and investments | \$ 24,824,915 | \$ 2,732 | \$ 24,827,647 | \$ 21,388,924 |
| Fee income | 1,431,358 | 226,744 | 1,658,102 | 1,814,061 |
| | <u>26,256,273</u> | <u>229,476</u> | <u>26,485,749</u> | <u>23,202,985</u> |
| EXPENSES | | | | |
| Interest on debt | 25,273,087 | - | 25,273,087 | 22,145,362 |
| Amortization of bond premium | (655,900) | - | (655,900) | (954,289) |
| Amortization of bond discount | 118,956 | - | 118,956 | 101,760 |
| Bond issuance costs | 1,431,358 | - | 1,431,358 | 1,282,285 |
| Amortization of bond insurance premium | 88,772 | - | 88,772 | 92,857 |
| Communication and office expense | - | 250,851 | 250,851 | 248,773 |
| Professional fees | - | 52,686 | 52,686 | 71,017 |
| | <u>26,256,273</u> | <u>303,537</u> | <u>26,559,810</u> | <u>22,987,765</u> |
| CHANGE IN NET POSITION | - | (74,061) | (74,061) | 215,220 |
| NET POSITION | | | | |
| Beginning of year | - | 2,279,981 | 2,279,981 | 2,064,761 |
| End of year | <u>\$ -</u> | <u>\$ 2,205,920</u> | <u>\$ 2,205,920</u> | <u>\$ 2,279,981</u> |

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY
SCHEDULES OF PROGRAM CASH FLOWS

| | Restricted Bond Funds | General Operating Fund | Years Ended June 30, | |
|--|-----------------------------|------------------------------|-----------------------|-----------------------|
| | | | 2014 | 2013 |
| OPERATING ACTIVITIES | | | | |
| Interest received on loans | \$ 25,624,424 | \$ - | \$ 25,624,424 | \$ 22,430,768 |
| Cash received from fee income | - | 226,744 | 226,744 | 518,309 |
| Cash received from loan repayments | 115,141,519 | - | 115,141,519 | 66,377,986 |
| Cash payments for acquisition of loans | (141,615,379) | - | (141,615,379) | (100,863,383) |
| Cash payments for bond program expenses | (714,456) | - | (714,456) | 1,799,207 |
| Salaries, benefits, and vendor payments | - | (432,966) | (432,966) | (226,811) |
| Net cash used for operating activities | <u>(1,563,892)</u> | <u>(206,222)</u> | <u>(1,770,114)</u> | <u>(9,963,924)</u> |
| INVESTING ACTIVITIES | | | | |
| Purchase of investments | (65,012,319) | - | (65,012,319) | (33,011,595) |
| Sale of investments | 31,755,866 | - | 31,755,866 | 41,614,534 |
| Interest (received) paid on investments | (21,516) | 2,732 | (18,784) | (28,895) |
| Net cash provided by (used for) investing activities | <u>(33,277,969)</u> | <u>2,732</u> | <u>(33,275,237)</u> | <u>8,574,044</u> |
| CAPITAL FINANCING ACTIVITIES | | | | |
| Proceeds from issuance of bonds and notes | 175,383,096 | - | 175,383,096 | 97,793,904 |
| Interest paid on debt | (24,207,358) | - | (24,207,358) | (21,808,155) |
| Debt repayments | (115,141,519) | - | (115,141,519) | (66,377,986) |
| Net cash provided by financing activities | <u>36,034,219</u> | <u>-</u> | <u>36,034,219</u> | <u>9,607,763</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,192,358 | (203,490) | 988,868 | 8,217,883 |
| CASH AND CASH EQUIVALENTS | | | | |
| Beginning of year | <u>14,896,691</u> | <u>2,428,391</u> | <u>17,325,082</u> | <u>9,107,199</u> |
| End of year | <u>\$ 16,089,049</u> | <u>\$ 2,224,901</u> | <u>\$ 18,313,950</u> | <u>\$ 17,325,082</u> |
| RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Change in net position | \$ - | \$ (74,061) | \$ (74,061) | \$ 215,220 |
| Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities | | | | |
| Amortization of loan discount | (118,956) | - | (118,956) | (101,760) |
| Amortization of loan premium | 655,900 | - | 655,900 | 954,289 |
| Amortization of prepaid bond insurance | (88,772) | - | (88,772) | (92,857) |
| Amortization of bond discount | 118,956 | - | 118,956 | 101,760 |
| Amortization of bond premium | (655,900) | - | (655,900) | (954,289) |
| Amortization of bond insurance premium | 88,772 | - | 88,772 | 92,857 |
| Cash from changes in operating assets and liabilities | | | | |
| Acquisition of loans | (141,615,379) | - | (141,615,379) | (100,863,383) |
| Repayments of loans | 115,141,519 | - | 115,141,519 | 66,377,986 |
| Interest and other receivables | (602,573) | (4,654) | (607,227) | (66,270) |
| Interest and other payables | <u>25,512,541</u> | <u>(127,507)</u> | <u>25,385,034</u> | <u>24,372,523</u> |
| Net cash used for operating activities | <u>\$ (1,563,892)</u> | <u>\$ (206,222)</u> | <u>\$ (1,770,114)</u> | <u>\$ (9,963,924)</u> |