WASHINGTON STATE

HOUSING FINANCE COMMISSION

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2003

WASHINGTON STATE
HOUSING FINANCE COMMISSION

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION FOR THE
YEARS ENDED JUNE 30, 2003 AND 2002, AND
INDEPENDENT AUDITORS' REPORT

WASHINGTON STATE
HOUSING FINANCE COMMISSION

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2003 AND 2002

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INDEPENDENT AUDITORS' REPORT

Commissioners
Washington State Housing Finance Commission

We have audited the accompanying statements of net assets of the Washington State Housing Finance Commission (the "Commission") as of June 30, 2003 and 2002, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, in fiscal year 2002 the Commission adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an Amendment of GASB Statements No. 21 and No. 34*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

The accompanying management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedule information of program financial statements and schedule of bonds outstanding, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information, which is the responsibility of the Commission's management, has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

November 26, 2003

WASHINGTON STATE
HOUSING FINANCE COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2003

As management of the Washington State Housing Finance Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the year ended June 30, 2003. This overview and analysis is required by accounting principles generally accepted in the United States of America ("GAAP") in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* ("GASB 34").

FINANCIAL HIGHLIGHTS

During the fiscal year ended or as of June 30, 2003 ("FY 2003"):

- Net assets increased $28.1 million to $111.0 million due to increases in bond programs ($24.4 million) and the Program Investment Fund ($3.7 million).

- Investments increased $85.6 million. This increase comprises a net increase in bond programs investment agreements ($87.6 million) and a decrease in General Operating Fund and Program Investment Fund investments in U.S. government and agencies ($2.0 million). The $87.7 million increase in bond programs investment agreements primarily resulted from the issuances of new bonds.

- Mortgage-backed securities, net, decreased by $154.3 million, primarily due to a decline in market interest rates causing a large amount of refinancing of single-family mortgages.

- Mortgage loans increased $79.1 million, due to draws of funds from recently issued bonds.

- Total bonds and notes payable of $2,060.6 million were outstanding, net of premiums and discounts. This represents a net decrease of $26.4 million (1.3%) resulting from the issuance of bonds ($280.4 million), an increase in the balance of accreted interest on capital appreciation bonds ($1.3 million), and a decrease in the balance of principal payments on bonds ($305.5 million).

- Total operating revenues decreased $5.5 million and total operating expenses decreased $5.7 million. These decreases were primarily due to the reduction of interest income and bond interest expense resulting from significant repayments of the mortgage-backed securities, net, and the corresponding single-family bonds.

- The change in net assets in the Program Investment Fund increased $3.7 million to $30.7 million, due to a transfer of net assets from the General Operating Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: management's discussion and analysis, the basic financial statements and the supplementary schedules. 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 Commission programs and operations. The statement of net assets includes all of the Commission's assets and liabilities. All of the revenues and expenses of the Commission are accounted for in the statement of revenues, expenses and changes in net assets. Program financial statements are presented as supplementary schedules. These statements separate the financial statements into bond programs and general operations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2003 (CONTINUED)

FINANCIAL ANALYSIS OF THE COMMISSION

Statements of Net Assets
The following table summarizes the changes in assets, liabilities and net assets between June 30, 2003 and 2002 (in millions):

	2003	2002	Change	
Assets:				
Cash and cash equivalents	$ 66.7	$ 66.3	$ 0.4	0.6 %
Investments	317.6	232.0	85.6	36.9
Accrued interest receivable	9.8	12.4	(2.6)	(21.0)
Fees receivable	0.2	0.7	(0.5)	(71.4)
Other receivables	0.9	2.3	(1.4)	(60.9)
Mortgage-backed securities, net	642.1	796.4	(154.3)	(19.4)
Mortgage loans	1,162.8	1,083.7	79.1	7.3
Investments in real estate	13.6	14.0	(0.4)	(2.9)
Unamortized bond issuance costs	45.6	44.2	1.4	3.2
Prepaid fees and other assets	1.4	0.6	0.8	133.3
Total assets	$ 2,260.7	$ 2,252.7	$ 8.1	0.4 %
Liabilities:				
Accounts payable and other liabilities	$ 28.2	$ 22.2	$ 6.0	27.0 %
Accrued interest payable	15.7	18.6	(2.9)	(15.6)
Accrued arbitrage rebate	1.1	1.3	(0.2)	(15.4)
Deferred commitment fees	38.5	35.3	3.2	9.1
Project equity held for borrower	5.7	5.4	0.3	5.6
Notes payable and bond fund financing	51.4	55.7	(4.3)	(7.7)
Bonds payable, net	2,009.2	2,031.3	(22.1)	(1.1)
Total liabilities	$ 2,149.8	$ 2,169.8	$ (20.0)	(0.9) %
Net assets:				
Restricted:				
Bond operations	62.3	37.9	24.4	64.1
Grants and donations to Program Investment Fund	0.6	0.6	0.0	0.0
Invested in capital assets, net of related debt	0.3	0.4	(0.1)	(25.0)
Unrestricted:				
Bond and general operations	17.7	17.6	0.1	0.6
Program Investment Fund	30.1	26.4	3.7	14.0
Total net assets	$ 111.0	$ 82.9	$ 28.1	33.9 %

The net assets of the Commission increased by $28.1 million, or 33.9%, from the June 30, 2002, amount. Net assets increased primarily due to activities in the bond programs.

Net assets of the bond programs are classified as restricted as the uses of the funds are directed by trust indentures. The Commission has designated a General Operating Fund reserve dedicated to maintaining its future commitments and ensuring its ability to meet unforeseen fiscal or legal challenges. In addition, it has created the Program Investment Fund to make strategic investments in higher-risk programs to support the financing and production of low-income housing, special needs housing, and facilities that provide community services primarily to low-income persons. The total amount designated for this purpose is $30.1 million.

Statements of Revenues, Expenses and Changes in Net Assets

The following table summarizes the changes in revenues and expenses between 2003 and 2002 (in millions):

	2003	2002	Change	
Revenues:				
Bond programs mortgage interest	$ 84.2	$ 90.5	$ (6.3)	(7.0) %
Bond programs investment and other income	13.8	14.9	(1.2)	(8.1)
Bond program gain on mortgage-backed securities	24.0	22.8	1.2	5.3
Program fees	8.9	7.9	1.0	12.7
General Operating Fund interest income	2.1	2.4	(0.3)	(12.5)
Total revenues	$ 133.0	$ 138.5	$ (5.5)	(4.0) %
Expenses:				
Bond programs interest expense	$ 87.5	$ 94.7	$ (7.2)	(7.6) %
Other bond programs expenses	10.1	8.8	1.3	14.8
Salaries and wages	3.9	3.7	0.2	5.4
Other General Operating Fund and Program Investment Fund expenses	3.4	3.4	0.0	0.0
Total expenses	$ 104.9	$ 110.6	$ (5.7)	(5.2) %
Change in net assets	$ 28.1	$ 27.9	$ 0.2	0.7 %

Mortgage related interest earnings ($84.2 million) and bond interest expense ($87.5 million) are the primary components of total revenues and expenses, respectively, for the bond programs.

The Commission's revenues in the General Operating Fund were primarily generated from issuer fees ($8.9 million) and interest income ($2.1 million).

DEBT ADMINISTRATION

The Commission has long-term debt obligations of $2,060.6 million, net of bond premium and discounts at June 30, 2003. The Commission's bond funds are held by a trustee, who ensures that bond resolution requirements are met, including payments of debt service and funding of necessary reserves. At June 30, 2003, amounts held by the trustee represent full funding of these requirements.

Most of the debt issued by the Commission is tax-exempt and is issued under the Internal Revenue Code and Treasury Regulations governing either mortgage revenue bonds or residential rental projects. The federal Tax Reform Act of 1986 imposes an annual ceiling on the aggregate amount of federally tax-exempt private activity bonds, including bonds for housing, student loans, exempt facilities, small issue industrial, redevelopment and certain public utility projects, that may be issued during any calendar year by or on behalf of states and their political subdivisions. The private-activity volume cap received by Washington State is allocated to eligible issuers pursuant to the Revised Code of Washington Chapter 39.86. The Commission's single-family and multifamily programs rely on private activity bonds subject to this volume cap. Bonds issued under the nonprofit facilities program are private activity bonds but are not subject to this cap.

The Commission's ability to recycle tax-exempt debt is limited by the federal rule, commonly known as the 10-year rule, that prohibits refunding of mortgage prepayments received more than 10 years after the date of issuance of the bonds. The Commission also issues limited amounts of taxable debt in order to supplement its tax-exempt authority and for lending under programs where federal restrictions are inconsistent with the program requirements.

The Commissioners have adopted policies that govern the process followed to issue debt. All bonds issued in the single-family program are backed by Fannie Mae, Ginnie Mae or Freddie Mac securities and are rated either an Aaa by Moody's Investors Service or AAA by Standard and Poor's Ratings Services. Multifamily and nonprofit publicly sold bond issues must have a minimum initial A rating by one of the major rating agencies.

The Commission continually investigates and utilizes available debt management techniques to achieve its goals of reducing interest expense and preserving the maximum amount of bonding authority. The Commission retires high interest rate debt as opportunities for economic refundings occur, and for preservation of bonding authority.

The Commission's outstanding debt is limited to three billion dollars by the Revised Code of Washington Section 43.180.160.

The Commission has no general obligation bonds and does not currently have an issuer credit rating.

Net bonds and notes payable as of June 30, 2003, was $2,060.6 million, a decrease of $26.4 million from 2002. Changes by program are summarized in the following table:

Summary of changes in bonds and notes payable by program (in millions)

	2002	Issued	Redeemed	Change	2003
Single-family	$ 853.9	$ 158.5	$ 228.9	$ (70.4)	$ 783.5
Multifamily housing	710.5	91.8	46.6	45.2	755.7
Nonprofit housing	313.5	2.5	7.7	(5.2)	308.3
Nonprofit facilities	205.1	27.6	19.5	8.1	213.2
Program Investment Fund	4.0	0.0	4.1	(4.1)	(0.1)
Total	$ 2,087.0	$ 280.4	$ 306.8	$ (26.4)	$ 2,060.6

OTHER FINANCIAL ANALYSIS

The budget approved by the Commission for the fiscal year 2002-2003 shows an increase of 5% in revenues and an increase of 9% in expenses. The initial tax-exempt bond allocation for 2003 was $109.2 million, an increase of $1.4 million from the 2002 initial allocation.

The 2002-2003 operating expenditure budget of $8.4 million was adequate to fund operations. Actual total operating expenses were $6.6 million, 21% less than budgeted.

ADDITIONAL INFORMATON

Questions and inquiries may be directed to Robert D. Cook, Senior Director, Finance, or Eric Ebrahimi, Controller, at Washington State Housing Finance Commission, 1000 2nd Avenue, Suite 2700, Seattle, WA, 98104 (206-464-7139).

WASHINGTON STATE
HOUSING FINANCE COMMISSION

STATEMENTS OF NET ASSETS
JUNE 30, 2003 and 2002

	June 30, 2003 Total	June 30, 2002 Total
ASSETS		
CASH and CASH EQUIVALENTS	$ 66,722,411	$ 66,276,287
INVESTMENTS:		
U.S. government and agencies	29,273,426	31,310,078
Investment agreements	288,376,371	200,691,376
TOTAL INVESTMENTS	317,649,797	232,001,454
ACCRUED INTEREST RECEIVABLE	9,789,136	12,403,620
FEES RECEIVABLE, net	206,919	683,823
OTHER RECEIVABLES	849,060	2,334,992
MORTGAGE-BACKED SECURITIES	611,095,578	789,618,838
Cumulative unrealized gain on mortgage-backed securities	31,014,859	6,801,852
MORTGAGE-BACKED SECURITIES, net	642,110,437	796,420,690
MORTGAGE LOANS	1,162,845,898	1,083,747,330
INVESTMENTS in REAL ESTATE	13,550,859	14,021,427
UNAMORTIZED BOND ISSUANCE COSTS	45,630,351	44,236,175
PREPAID FEES and OTHER	1,371,711	561,352
TOTAL ASSETS	$ 2,260,726,579	$ 2,252,687,150

See notes to financial statements.

	June 30, 2003 Total	June 30, 2002 Total
LIABILITIES and NET ASSETS		
ACCOUNTS PAYABLE and OTHER LIABILITIES	$ 28,189,013	$ 22,193,191
ACCRUED INTEREST PAYABLE	15,735,713	18,542,319
ACCRUED ARBITRAGE REBATE	1,053,753	1,343,312
DEFERRED COMMITMENT FEES	38,530,222	35,337,047
PROJECT EQUITY HELD FOR BORROWER	5,700,017	5,379,252
PRIVATE PLACEMENT PROGRAMS NOTES PAYABLE and BOND FUND FINANCING	51,392,304	55,732,521
BONDS PAYABLE:		
Current interest bonds	1,810,608,152	1,802,553,175
Taxable bonds	176,779,844	205,719,677
Compound interest bonds	22,163,778	23,463,036
Unamortized bond premium	668,239	699,305
Unamortized bond discount	(1,057,728)	(1,136,989)
TOTAL BONDS PAYABLE	2,009,162,285	2,031,298,204
TOTAL LIABILITIES	2,149,763,307	2,169,825,846
NET ASSETS		
Restricted:		
Bond operations	62,274,938	37,863,819
Grants and donations to Program Investment Fund	600,000	637,377
Invested in capital assets, net of related debt	319,380	378,885
Unrestricted:		
General operations	17,680,620	17,621,115
Program Investment Fund	30,088,334	26,360,108
TOTAL NET ASSETS	110,963,272	82,861,304
TOTAL LIABILITIES and NET ASSETS	$ 2,260,726,579	$ 2,252,687,150

See notes to financial statements.

WASHINGTON STATE
HOUSING FINANCE COMMISSION

STATEMENTS OF REVENUES, EXPENSES and CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 and 2002

	June 30, 2003 Total	June 30, 2002 Total
REVENUES:		
Interest earned on mortgages	$ 84,227,418	$ 90,546,723
Interest and investment income	9,989,606	12,047,107
Gain on mortgage-backed securities	23,996,074	22,780,279
Other fee income	14,529,754	12,873,925
Nonoperating revenues -		
Grants and donations	220,820	246,400
TOTAL REVENUES	132,963,672	138,494,434
EXPENSES:		
Interest on debt	87,987,304	95,139,745
Amortization of bond discount	49,189	63,767
Amortization of bond issuance costs	5,845,063	4,730,725
Servicing and commission fees	1,646,882	1,673,295
Salaries and wages	3,910,149	3,654,630
Communication and office expense	2,346,480	2,418,583
Trustee and paying agent fees	277,389	240,702
Professional fees	324,480	335,012
Amortization of bond insurance premium	59,064	33,867
Other	2,202,575	2,072,365
Nonoperating expenses -		
Grants and donations	213,129	209,023
TOTAL EXPENSES	104,861,704	110,571,714
EXCESS of REVENUES over EXPENSES	28,101,968	27,922,720
NET ASSETS:		
Total net assets, beginning of year	82,861,304	54,938,584
Total net assets, end of year	$ 110,963,272	$ 82,861,304

See notes to financial statements.

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WASHINGTON STATE
HOUSING FINANCE COMMISSION

STATEMENTS of CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 and 2002

	June 30, 2003 Total	June 30, 2002 Total
OPERATING ACTIVITIES:		
Receipts for interest on mortgages	$ 85,815,606	$ 89,622,488
Receipts for other fee income	18,480,826	17,191,608
Receipts for loans and mortgage prepayments	275,061,479	176,186,703
Payments for acquisition of loans and mortgages	(175,033,549)	(308,049,010)
Payments for bond program expenses	(5,822,807)	(10,579,534)
Payments to employees and suppliers	(6,783,242)	(6,880,248)
Net cash provided (used) by operating activities	191,718,313	(42,507,993)
INVESTING ACTIVITIES:		
Purchase of investments	(307,457,905)	(286,565,639)
Sale of investments	221,667,654	349,606,631
Interest received on investments	10,807,218	14,238,116
Net cash provided (used) by investing activities	(74,983,033)	77,279,108
NONCAPITAL FINANCING ACTIVITIES:		
Grants and donations	-	(37,377)
Contributions	33,306	87,053
Net cash provided by noncapital financing activities	33,306	49,676
CAPITAL FINANCING ACTIVITIES:		
Cash received (paid) as project equity	320,765	(23,756,430)
Proceeds from sale of bonds and notes	288,031,457	448,548,157
Interest paid on debt	(90,797,095)	(98,199,015)
Debt repayments	(313,877,589)	(366,657,788)
Net cash used by capital financing activities	(116,322,462)	(40,065,076)
NET INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	446,124	(5,244,285)
CASH and CASH EQUIVALENTS:		
Beginning of year	66,276,287	71,520,572
End of year	$ 66,722,411	$ 66,276,287

See notes to financial statements.

		June 30, 2003 Total		June 30, 2002 Total
RECONCILIATION of EXCESS of REVENUES over EXPENSES to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES:				
Excess of revenues over expenses	$	28,101,968	$	27,922,720
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:				
Amortization of mortgage premium		216,103		40,706
Amortization of mortgage discount		(2,438,754)		(894,891)
Amortization of prepaid bond insurance		32,201		4,395
Amortization of bond issuance costs		6,050,959		6,014,705
Amortization of bond premium		(32,061)		(83,136)
Amortization of bond discount		80,255		-
Amortization of deferred fee income		(4,482,445)		(5,871,666)
Cash provided (used) by changes in operating assets and liabilities:				
Purchase of mortgage loans		(172,812,361)		(305,275,172)
Repayments of mortgage loans		275,154,695		176,282,339
Interest and other receivables		(7,131,521)		(13,807,297)
Interest and other payables		93,778,666		98,034,572
Unrealized gain on securities		(24,069,523)		(22,208,219)
Fees received		-		34,615
Other		(729,869)		(2,701,664)
Net cash provided (used) by operating activities	$	191,718,313	$	(42,507,993)

See notes to financial statements.

NOTE 1: *ORGANIZATION, PROGRAM FUNDS and SUMMARY of SIGNIFICANT ACCOUNTING POLICIES*

Organization:

The Washington State Housing Finance Commission (the "Commission") was created in 1983 by the legislature of the state of Washington (the "State") to "act as a financial conduit which, without using public funds or lending the credit of the state or local government, can issue nonrecourse revenue bonds and participate in federal, state, and local housing programs and thereby make additional funds available at affordable rates to help provide housing throughout the state."

In March 1990, the state legislature passed a bill authorizing the Commission to issue bonds to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations. The Commission's debt limit is $3 billion.

The Commission has 11 voting members. Eight members are appointed by the governor to a four-year term. Two commissioners, the state treasurer and the director of the Department of Community, Trade and Economic Development serve ex officio, by virtue of their office. The chair of the Commission is appointed by, and serves at the pleasure of, the governor.

The Commission is legally separate from the State. The State is not considered to be financially accountable for the Commission's obligations due to legal restrictions on the Washington State legislature's ability to impose its will on the Commission and the inability of the governor to remove the majority of the voting members of the Commission. The Commission does not receive state appropriations and does not impose a financial burden on, nor accrue any financial benefit to, the State. However, in the State's June 30, 2003, Comprehensive Annual Financial Report ("CAFR"), the Commission is presented as a discrete component unit of the State.

Program Funds:

Single-Family Home Ownership Program: These funds, established under separate trust indentures, account for the proceeds from the sale of Single-Family Mortgage Revenue Bonds and the debt service requirements of these bonds. Activities of these funds are, in general, limited to the purchase of certain mortgage loans secured by mortgages on Single-Family, owner-occupied new or existing residential housing located in Washington State.

Loans in the programs are made to first-time homebuyers (except for loans in targeted areas) whose income does not exceed the limits established by the Commission. Mortgage rates for these programs are:

Single-Family Program Mortgage Rates by Bond Issue

Bond Issue	Rate	Bond Issue	Rate	Bond Issue	Rate
1988 A & B	8.40%	1996 2A, 2N, 2T	7.10%	2000 1A, 1T	7.45%
1991 D & E	7.50 & 7.60	1996 3A, 3T	7.20	2000 2A, 2N, 2T	7.55
1992 B, C, D1	6.65	1997 2A, 2N, 2T	7.20	2000 3A, 3N, 3T	7.55
1992 B, C, D2	6.65	1997 3A, 3T	6.75	2000 4A, 4T	6.95
1994 A1 & A2	6.88	1997 4A, 4N, 4T	6.55	2000 5A-R, 5N-R	8.35
1994 B	7.45	1998 1A, 1N, 1T	6.25	2001 1A, 1N	6.49
1994 C1, D1	7.25	1998 2A, 2T	6.25	2001 2A	6.65
1994 C2, D2	7.35	1998 3A, 3N, 3T	6.25 & 6.35	2001 3A-R, 3N-R	8.30 & 8.45
1994 E1, F1	7.35	1998 4A, 4N, 4T	6.25 & 5.99	2001 4A, 4T	6.80
1994 E2, F2, G	7.45	1998 CRA-A	5.75	2001 5A	6.49
1994 H & I	7.95	1998 5A, 5N, 5T	5.99	2002 1A	6.75
1995 A	7.87	1999 1A, 1N, 1T	5.95	2002 2A, 3A-R, 3N-R	6.75
1995 B & C	7.40	1999 2A, 2N, 2T	6.05	2002 4A	6.25
1995 1A1	7.13 & 7.08	1999 3A, 3T	6.75	2002 5A	5.75
1995 1A2	7.10 & 6.80	1999 CRA-A	6.50	2003 1A, 1N	5.60
1995 1A3	6.85	1999 4A, 4N, 4T	6.95		
1996 1A1	7.20	1999 5A, 5N, 5T	6.99		

Multifamily Bond Programs: In the fiscal year 2003, the Commission divided the Multifamily Bond Programs into the Multifamily Housing Bond Program and Nonprofit Housing Bond Program:

- *Multifamily Housing Bond Program*: These funds, established under separate trust indentures, account for the proceeds from the sale of mortgage revenue bonds and the debt service requirements of these bonds.

  Bond proceeds for the Multifamily Housing Bond Program are used by the trustee of the program funds to purchase qualified mortgages and mortgage-backed securities from mortgage lenders. The issuer of the mortgage-backed securities, the mortgagor, or the letter of credit provider will pay the bond trustee principal and interest in amounts calculated to meet periodic debt service payments on the bonds.

  Private placement notes are tax-exempt notes issued and privately placed by the Commission, the proceeds of which are used to finance construction or rehabilitation and permanent loans on multifamily rental housing projects. Activities of these funds also include the purchase, construction, refinancing and/or remodeling of continuing care retirement communities and nursing homes. The tax-exempt notes are funded by the investors at such time as disbursements are made for acquisition, construction or rehabilitation.

- *Nonprofit Housing Bond Program*: These funds account for bonds issued on behalf of nonprofit housing organizations. The funds are used to purchase, construct, refinance and/or remodel projects containing low-income housing.

Nonprofit Facilities Bond Program: These funds account for the bonds sold to purchase loans of organizations that are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The loans, which may be secured by real and/or personal property, are used by 501(c)(3) organizations for capital acquisitions and/or improvements.

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

The Commission first adopted a General Operating Fund Reserve Policy in 1989. The current policy requires the maintenance of general reserves of $18 million based upon capital adequacy analyses. General reserves provide income to fund current operations, help to ensure a sufficient revenue stream for the Commission to remain independent of State funds and safeguard the Commission's ability to meet its future legal and program obligations.

Program Investment Fund: The Commission established its Program Investment Fund in 1989. This fund represents Commission reserves above those required by the General Operating Fund Reserve Policy and is strategically invested in programs to support the financing and production of low-income housing, special needs housing and facilities that provide community services. In addition to the Commission's contribution, some bond issues produce other revenues that flow to the Program Investment Fund. These funds are accounted for as revenue in the Program Investment Fund.

NOTE 2: *SUMMARY of SIGNIFICANT ACCOUNTING POLICIES*

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America 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 Commission has applied all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989 (unless they conflict with or contradict GASB pronouncements): Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on

Accounting Procedure. The more significant of the Commission's accounting policies are described below.

Measurement Focus and Basis of Accounting: All Program Investment and General Operating Funds of the Commission 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 balance sheet. The operating statements for all funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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.

New Accounting Pronouncement: In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and analysis—for State and Local Governments,* as amended by GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis— for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Disclosures.* GASB Statement No. 34, as amended, and commonly referred to as the new reporting model, retained much of the old reporting disclosure requirements under the prior reporting model, with certain modifications and newly added information. Applicable portions of this statement were implemented by the Commission for the year ended June 30, 2002 and the most significant effects on the Commission's annual financial statements are the addition of Management's Discussion and Analysis as required supplementary information, the condensed format of the basic financial statements and the reclassifications of certain fund equity amounts.

Unclassified Balance Sheet: The Commission's business cycle is greater than one year. As such, all assets and liabilities of the Bond Funds are deemed to be long-term. Within the General Operating Fund and Program Investment Fund, cash and cash equivalents, fees receivable, net and accounts payable and other liabilities are classified as short-term. All other assets and liabilities within the General Operating Fund and Program Investment Fund are deemed to be long-term.

Cash and Cash Equivalents: Cash deposits held in the bond issues are held in the corporate trust departments of commercial banks in the bond issue's name. Cash deposits held by the General Operating Fund are entirely covered by the Federal Depository Insurance Corporation ("FDIC") or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission ("PDPC"). For purposes of the statements of cash flows, the Commission considers all highly liquid, interest-bearing instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments: Investments, including those held for reserve purposes in the bond issues and those managed by U. S. Bancorp Asset Management in the General Operating and Program Investment Funds, are stated at fair market value based on quoted market prices as of June 30, 2003 and 2002.

Mortgage-Backed Securities: Mortgage-backed securities are presented at their fair value based on quoted market prices as of June 30, 2003 and 2002.

Mortgage Loans on Real Estate: Mortgage loans on real estate are stated at their unpaid principal balance, increased by mortgage premiums and reduced by unearned discount, and include mortgage-backed securities, which guarantee the payment of the underlying mortgage loan.

Investments in Real Estate: Investments in real estate represent the Commission's holdings in the Gilman Meadows and Mallard Cove Developments. These assets are classified as real estate owned, as the investment has certain equity characteristics, and are stated at cost.

Provision for Possible Loan Losses: The Single-Family bonds are payable solely from the assets specifically pledged under the trust indenture with respect to such bonds, and no assets of the Commission, other than those assets held under such trust indentures, are pledged to payment of the bonds. No loan loss provisions have been considered necessary, as the current assets held by all the outstanding Single-Family indentures are mortgage-backed securities, of which payment is guaranteed.

Other Assets: Other assets include furniture, fixtures, equipment and leasehold improvements, which are accounted for in the General Operating Fund and are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to current operations on the straight-line method over the estimated useful lives of the assets.

Commitment Fee Income: These fees are recorded as income using the bonds outstanding method, which yields a level rate of income over the respective lives of each bond series.

Bonds Payable: Current interest serial and term bonds are stated at their principal amounts outstanding, net of unamortized bond discount, if any. Compound interest bonds, which are stated at their accreted values, represent amounts equal to the original offering price compounded at the original issue yield to maturity from the date of delivery of each issue to the respective balance sheet date. Certain bonds in the multifamily and nonprofit programs are variable rate bonds remarketed on a daily, weekly or monthly basis and are subject to market rate fluctuation.

Unamortized Bond Issuance Cost and Unamortized Bond Discount: Unamortized bond issuance costs and unamortized bond discounts are amortized using the bonds outstanding method, which yields a level rate of expense over the respective lives of each bond series.

Project Equity Held for Borrower: Project equity held for borrower represents funds contributed by the borrower to complete the bond issuance. It is held in the trust indenture and is returned to the borrower upon requisition by the borrower for project expenditures. The amounts are disbursed to the borrower upon closing or shortly thereafter. As such, these amounts are accounted for as a liability until such time as the funds are requisitioned and returned to the borrower.

Compensated Absences: Permanent employees of the Commission earn annual leave in accordance with length of service. Generally, a maximum of 240 hours of annual leave may be accumulated. Upon termination, employees are entitled to compensation for their unused leave.

In addition, scheduled and nonscheduled work period employees may earn compensatory time at the rate of time-and-one-half up to a maximum of 240 hours. This is paid to the employee at the end of each biennium ending June 30 of the odd numbered year or upon termination of employment. Employees classified as "exceptions work period employees" may earn exchange time at the rate of actual time worked up to a maximum of 174 hours. Upon separation or transfer to another agency, the employee is given the opportunity to postpone his/her cessation of employment until the accumulated authorized exchange time has been used.

Employees earn sick leave at the rate of one day per month and may be compensated for accumulated sick leave at the rate of 25% percent in a few limited circumstances. In consideration of this, the Commission accrues all cost associated with compensated absences and 25% of sick leave, including an allowance for payroll taxes.

Other Fee Income: The Commission earns fees on its bond issues, which are allocated to the Restricted Bond, General Operating, and Program Investment Funds and which are recorded as other fee income on the statement of activities and changes in net assets. During the fiscal year ended June 30, 2003, the Commission earned $14,537,445 in other fee income. This income comprises commission fees ($7,950,239), other program fees ($4,682,577) and other income ($1,904,629).

Related Party Transactions: The Commission provides staff and other administrative services to the following state agencies:

	For the year ended June 30,	
Charges for Services	2003	2002
Washington Higher Education Facilities Authority	$118,778	$122,697
Tobacco Settlement Authority	$162,479	$ 68,389

	For the year ended June 30,	
Receivable from (payable to):	2003	2002
Washington Higher Education Facilities Authority	$ 20,563	$156,972
Tobacco Settlement Authority	$(2,604)	$ 68,389

Use of Estimates: The preparation of the statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. The Commission used estimates in determining the allowance for doubtful accounts, arbitrage rebate liability, accrued sick leave and other contingencies. Actual results may differ from those estimates.

Income Taxes: The Commission, as an instrumentality of the state of Washington, is exempt from federal and state income taxes. Accordingly, no provision for income taxes is necessary.

Rebateable Arbitrage: Arbitrage earnings that are owed to the United States Department of the Treasury are recorded as accrued arbitrage rebate and based on estimated calculations performed by an independent valuation specialist on an ongoing basis. This liability does not reflect any unrealized appreciation or depreciation as a result of recording investment securities at fair market value.

Reclassifications: Certain prior year balances have been reclassified to conform to the current year presentation.

NOTE 3: *INVESTMENTS*

General Operating and Program Investment Funds:

Investment Policy: While RCW 43.180.080(5) grants the Commission the authority to invest its funds, it provides no investment guidelines or restrictions. The State law generally limits the type and character of investment of "public funds." In light of the Commission's authorizing legislation, Washington State court decisions and the sources of its dedicated funds, the Commission finds that the investment limitations on public funds do not apply to its dedicated funds. As a matter of policy, however, the Commission believes that, at this time, an appropriate course of conduct is to invest its dedicated funds in a manner consistent with the investment limitations on public funds. The Commission has entered into an agreement with U.S. Bancorp Asset Management to manage the investment of a portion of the General Operating and Program Investment Funds' reserves, subject to the following policy.

The Commission can invest in non-governmental 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 U.S. government
2. Federal Home Loan Bank notes and bonds
3. Federal Land Bank bonds
4. Federal National Mortgage Association notes, debentures and guaranteed certificates of participation

5. The obligations of certain government-sponsored entities 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 U.S. government bonds or U.S. government guaranteed bonds issued by federal agencies with average maturities of less than four years

Investments of the General Operating and Program Investment Funds as of June 30, 2003, are comprised of securities issued or guaranteed by the U.S. government. All investments are registered, or securities are held by the Commission's agent in the Commission's agent's name.

Deposits: On June 30, 2003, the carrying amount of the Commission's cash deposits was $3,078,355 and the bank balance was $792,955.

Bond Programs:

The indenture for each bond issue outlines the permitted investments for that transaction. Generally, bond proceeds are invested in investment agreements with institutions whose rating is at least equivalent to the rating on the bonds being issued. These investment agreements are binding agreements but are not usually collateralized by specifically identified securities and, as such, are not tradable or subject to risk categorization. Investments in the bond programs are comprised primarily of Guaranteed Investment Contracts, for which the investment cost approximates fair value.

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 bond indentures. All investments are presented at fair value based on quoted market prices.

NOTE 4: *MORTGAGE-BACKED SECURITIES*

The bond proceeds for all Single-Family bond issues issued since 1988 have been used to purchase modified mortgage-backed securities in which principal and interest are guaranteed by either the Government National Mortgage Association (Ginnie Mae), whose guarantee is backed by the full faith and credit of the U.S. government, or the Federal National Mortgage Association (Fannie Mae). A few funds in the Multifamily Housing and Nonprofit Housing Bond Programs also contain mortgage-backed securities.

For the fiscal year ended June 30, 2003, the net increase in fair market value of those securities was $24,213,007. The following table shows the sources of the gains on mortgage-backed securities on the statements of revenue, expenses and changes in net assets for 2003 and 2002 by program.

Gain on Mortgage-Backed Securities as of June 30:

	2003			2002		
	Single-Family	**Multifamily**	**Total**	**Single-Family**	**Multifamily**	**Total**
Unrealized gain due to adjustment to market value	$19,941,642	$ 4,271,365	$24,213,007	$21,230,892	$977,327	$22,208,219
Gain on asset disposition					654,075	654,075
Mortgage premium amortized		(216,103)	(216,103)		(82,015)	(82,015)
Total gain on mortgage-backed securities	$19,941,642	$4,055,262	$23,996,904	$21,230,892	$1,549,387	$22,780,279

Cumulative unrealized gains for fiscal years 2003 and 2002 were $31,014,859 and $6,801,852 respectively, and is included in the balance of mortgage-backed securities on the statement of net assets.

The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments. The realized gains and losses of the current period include unrealized amounts from prior periods.

NOTE 5: *MORTGAGE LOANS*

Multifamily Loans:

Most of the Commission's multifamily bond issues obtain credit enhancement from a third party that pays or secures the payment of principal and interest on the bonds. However, in some programs, the only collateral for the payment of principal and interest is the real estate loan. The Commission has generally limited investment in such bonds to a small number of bond owners, who must be sophisticated investors that have underwritten the real estate loan. These investors have authority under the bond documents to enforce remedies against the projects to protect their interests as investors. These limited investor bond issues include private placements and bond fund issues. On most issues where there have been delinquencies in the payment of debt service, workout agreements have been reached between the bond owner/investor and the borrower.

Nonprofit Capital Facilities Loans:

The majority of nonprofit capital facilities ("NPCF") loans are backed by letters of credit from banks. In addition, the nonprofit capital facilities program has bond issues where the loan is the direct collateral for repayment of bond principal and interest, similar to the multifamily loans previously discussed. These issues have been sold to a limited number of sophisticated investors, who have evaluated the collateral.

NOTE 6: *FURNITURE, FIXTURES and EQUIPMENT*

Furniture, fixtures and equipment as shown below are included in prepaid fees and other on the statements of net assets. The Commission's policy is to capitalize assets with a cost of $750 or more. Depreciation of furniture, fixtures and equipment is computed under the straight-line method at various rates considered adequate to allocate the cost over the estimated useful lives of such assets.

	Useful Life	June 30, 2002	Increase	Decrease	June 30, 2003
Furniture, fixtures and equipment	Three to 10 years	$ 864,548	$ 66,932	$ (3,206)	$ 928,274
Leasehold improvements	4 to five years	176,058	0	0	176,058
		$1,040,606	$ 66,932	$ (3,206)	$1,104,332
Less accumulated depreciation		(661,721)	(125,903)	2,671	(784,953)
	Net Book Value	$ 378,885	$ 192,835	$ (535)	$ 319,380

NOTE 7: *BONDS and NOTES PAYABLE*

Bonds issued by the Commission are limited obligations 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.

Bond Defeasance: Defeasance amounts are deposited in 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 Commission's financial statements. Funds held in the respective trust accounts are assumed sufficient to service and redeem the defeased bonds.

On January 15, 2003, the Commission issued 2002 Series 5A Single-Family Program Bonds of $23,580,000, of which $3,580,000 were refunding bonds with an interest rate of 5.15% used to refund $3,580,000 of outstanding 1992 B-3, C-3 & D-3 Single-Family Bonds with an interest rate of 5.64%. As a result of this current refunding, the Commission reduced its total debt service requirements by $336,602, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $197,427.

On May 4, 2002, the Commission issued 2002 Series 3AR & 3NR Single-Family Program Refunding Bonds of $15,560,000 with an average interest rate of 5.25% to advance refund portions of the following bond issues:

- On June 1, 2002, $4,715,000 of outstanding 1989 Series A & B Single-Family Bonds with an interest rate of 7.0%. The net proceeds of the fund monies were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 series bonds, which are considered to be defeased. As a result of this advance refunding, the Commission reduced its total debt service requirements by $329,983, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $629,952.

- On July 1, 2002, $180,000 of outstanding 1991 Series B & C Single-Family Bonds with an interest rate of 7.75%. The net proceeds of the fund monies were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 series bonds, which are considered to be defeased. As a result of this advance refunding, the Commission reduced its total debt service requirements by $108,960, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $65,381.

- On July 1, 2002, $10,665,000 of outstanding 1991 Series D & E Single-Family Bonds with an average interest rate of 7.025%. The net proceeds of the fund monies were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 series bonds, which are considered to be defeased. As a result of this advance refunding, the Commission reduced its total debt service requirements by $6,497,386, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2,801,562.

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As of June 30, 2003, the Commission had outstanding notes and bonds of $2.1 billion. The bonds bear interest ranging from 0.92% to 8.62% and mature in varying amounts through 2046. Future principal and interest requirements by program are shown in the following table. The total principal in the table approximates $2.1 billion due to the effect of capital appreciation bonds.

For the years ending June 30:	Total Principal Redemptions	Total Interest Redemptions	Total Debt Service
2004	$ 29,985,723	$ 93,787,529	$ 123,773,252
2005	169,666,900	89,023,916	258,690,816
2006	31,596,692	89,731,472	121,328,164
2007	57,401,061	83,941,160	141,342,221
2008	35,295,340	82,340,221	117,635,561
2009–2013	253,345,638	370,789,186	625,134,824
2014–2018	261,507,842	304,976,074	566,483,916
2019–2023	327,791,258	229,500,893	557,292,151
2024–2028	413,383,491	139,960,039	553,343,530
2029–2033	337,072,162	70,208,699	407,280,861
2034–2038	113,078,971	18,701,937	131,780,908
2039–2043	28,944,000	897,788	29,841,788
2044–2048	485,511	29,707	515,218
	$ 2,060,554,589	$ 1,573,888,621	$ 3,634,443,210

Changes are summarized in the following table:

	June 30, 2002	Issued	Redeemed	June 30, 2003
Total	$2,087,030,725	$280,427,125	$306,903,261	$2,060,554,589

STEP Bonds: The Commission aggregates the bonds sold under the Streamlined Tax-Exempt Placement ("STEP") Program into three programs, depending on the purpose of the bonds. The outstanding bond amounts by program as of June 30, 2003, are shown on the following page:

Multifamily Housing	
Heritage Woods	$ 1,809,309
Arrowhead Park	998,198
Heritage Sunset	1,075,438
Heritage Grove	1,394,248
Bayswater Apts.	795,298
Assembly Apts.	2,802,887
Mt. Baker Apts.	2,177,295
Westhampton Apts.	2,580,178
Southampton Apts.	2,536,547
Covington Commons Apts.	1,279,162
Rockwood Terrace	1,485,932
Terrace Apartments	1,196,423
Tashiro-Kaplan Artist Housing	1,021,198
Yakima Gardens	887,917
Oregon Place	1,255,261
Nuuanu Pali Apartments Project	714,076
	$ 24,009,367

Nonprofit Housing	
Mental Health North	$ 720,503
Summerfield	1,682,265
Coventry Court	2,644,953
Glendale Apts.	2,692,944
Wilton Apts.	531,351
Wildwood Apartments	1,427,341
Adams Apartments	283,227
Branch Manor	582,772
Bellevue Apartments	511,394
Paradise Mobile Home Park	405,066
Vue Mobile	365,293
Bridge Creek II	1,246,790
Blue Mountain Apartments	235,298
3904 Martin Luther King Way Apts.	530,575
Christian Health Care Center	5,659,979
Brentwood Apartments	1,478,683
Clallam County Hostelries	361,992
Interaction/Trans. – Transition House	597,817
Northhaven	1,689,328
Episcopal Homes	4,755,188
Fir @ 17th	1,084,062
Warm Beach	1,417,213
St. Andrew’s Place	2,804,771
Riverside Landing	1,952,491
Der Garten Haus	610,855
	$ 36,272,149

Nonprofit Facilities	
Bertschi	$ 514,408
PAWS	199,318
NW Center for the Retarded	145,250
Overlake School	912,009
Metropolitan Dev. Council	560,265
Pacific Science Center	731,893
Audubon Society	62,960
Work Force Development	900,832
Lake Washington Rowing Club	479,132
Camp Fire Service Center	284,503
SKCAC Industries	964,001
Boys and Girls Club of Snohomish	200,637
ElderHealth Norwest	722,798
Sno-King Sheet Metal Training Ctr.	253,164
The Northwest School	1,095,620
Genesis House	547,118
Heath Bldg/Lindeman	448,832
Little Red School House	352,290
People for People 1999	1,383,314
Pacific NW Research Institute	2,275,000
SEED/Homesight Project	585,620
NW Washington Fair	879,712
Benton-Franklin Support Network	822,598
Nova Services	593,680
Pullman Community Action Center	673,968
Community Youth Services	400,000
Henry Cogswell College	2,608,891
Washington School Principals’ Project	634,508
Tacoma-Pierce County Humane Society Proj.	1,561,572
Island School Expansion and Remodel	837,482
Nova School Project	819,564
Harlequin Productions Project	517,480
Artist Trust Project	343,998
Girl Scouts-Totem Council Project	2,532,022
Hyla Middle School Project	634,686
YMCA of Grays Harbor Project	2,024,925
Spokane Valley Community Center	586,543
Tomorrows Hope	842,697
Southside Senior Center	632,434
The Institute for Family Development	733,597
New Horizons School	865,870
Children’s Village Foundation Project	784,955
Hopelink	1,909,297
Goodwill Industries of Inland NW	2,947,962
Puget Sound Electrical Apprenticeship Proj. 2003	4,582,609
	$ 43,390,014

NOTE 8: *COMMITMENTS*

Mortgage Loans: The Commission has committed to purchase mortgage loans to the extent qualified loans are available under each of the programs currently in the acquisition phase. The Commission's commitments by program as of June 30, 2003 are shown below:

Program	Amount
Single-Family Housing Program	$ 134,690,000
Multifamily Housing Program	74,445,000
Nonprofit Housing Program	80,460,000
Nonprofit Facilities Program	48,255,000
	337,850,000
Loan disbursements through June 30, 2003	$ 241,467,008
Loan commitments at June 30, 2003	$ 96,382,992

Operating Lease: The Commission has lease commitments for office space on a long-term basis. Lease expense for the fiscal years ended June 30, 2003 and 2002 was $820,816 and $820,816, respectively. Commitments for future minimum lease payments are:

For the years ending June 30,	
2004	$ 820,816
2005	820,816
2006	820,816
	$ 2,462,448

NOTE 9: *EMPLOYEE BENEFIT PLANS*

Deferred Compensation Plan: The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Commission employees, permits them to defer a portion of their salaries until future years. The deferred compensation is paid to employees upon termination, retirement, death or unforeseeable emergency. The money is held under a separate fund by the State; therefore, neither an asset nor liability is recorded on the Commission's financial statements.

Retirement Plan: The Commission's employees participate in the Public Employees' Retirement System ("PERS") of the State. The legislature established PERS in 1947. PERS is a cost-sharing multiple-employer retirement system. Membership in the system includes elected officials; State employees; employees of the Supreme, Appeals and Superior Courts; employees of legislative committees; community college, college and university employees not in national higher education retirement programs such as TIAA/CREF; judges of district and municipal courts; noncertified employees of school districts; and employees of local government. Approximately 54% of PERS salaries are from State employment.

Commission employees may retire at the age of 65 with 5 years of service or at age 55 with 20 years of service, with an allowance of 2% per year of service of the average final salary (average final compensation is based on the greatest compensation during any consecutive 60-month period). Retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit, and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3% annually.

PERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to PERS accrue interest at a rate specified by the Washington State Department of Retirement Systems (“DRS”). During the fiscal year 2003, the DRS-established rate of interest on employee contributions was 5.5%, compounded quarterly. Retirement benefit provisions are established in State statute and may be amended only by the State legislature. Employees in PERS can elect to withdraw total employee contributions and interest earnings thereon upon termination. PERS benefits are vested after an employee completes five years of eligible service.

Each biennium the legislature establishes employer and employee contribution rates. These rates are developed by the Office of the State Actuary to fully fund the plan. All employers are required to contribute at the level established by the legislature. The methods used to determine the contribution requirements are established under State statute in accordance with chapters RCW 41.40 and 41.45. The Commission and employee contributions to the pension plan are detailed below:

For the years ended June 30,

	2003	**2002**	**2001**
Gross covered salaries	$3,153,816	$2,984,336	$2,615,406
Commission’s contribution	$41,632	$49,575	$118,171
Commission’s contribution rate	1.32%	1.66%	4.67%
Employees’ contribution	$24,064	$31,101	$62,039
Employees’ contribution rate	0.76%	1.04%	2.43%

The pension obligation was calculated on a pension system basis and cannot be disclosed on a plan basis. The Washington State Department of Retirement Services does not make separate measurements of pension benefit obligations of individual employers. Historical trend and other information regarding the plan are presented in the Washington State Department of Retirement Systems 2002 annual financial report.

The plan information for the fiscal year 2003 will be presented in the State Department of Retirement Systems 2003 annual financial report, which will become available in January 2004 and may be obtained at:

Washington Sate Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380
www.wa.gov/DRS/

NOTE 10: *RISK MANAGEMENT*

The Commission 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, 2003 there were no known asserted or unasserted claims or judgments against the Commission.

Members of the board of commissioners and persons acting on the Commission'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 Commission's Public Officials and Employees Liability insurance policy.

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NOTE 11: *SUBSEQUENT EVENTS*

The Commission has issued additional bonds subsequent to June 30, 2003 as shown below:

Bond Issues Subsequent to June 30, 2003

DATE	PROJECT	AMOUNT
	SINGLE-FAMILY	
09/25/03	Single Family 2003 2A/2N	$ 24,500,000
11/19/03	Single Family 2003 3A/3N	23,885,000
	MULTIFAMILY HOUSING	
07/02/03	Auburn Meadows 2003	8,600,000
09/15/03	Stonegate Apartments 2003	10,300,000
10/20/03	Rosemont Apartments 2003	8,250,000
11/19/03	Woodland Retirement 2003	14,715,000
11/24/03	Olympic Place Apartments 2003	10,575,000
	NONPROFIT HOUSING	
07/01/03	Emerald Heights 2003	38,460,000
07/24/03	Green River Community College 2003	19,050,000
08/20/03	Nickerson Area Properties 2003	10,745,000
08/27/03	Franke Tobey Jones 2003	13,035,000
09/19/03	Mercy Housing 2003	6,445,215
	STEPP – NON-PROFIT HOUSING	
11/03/03	Northaven II Assisted Living 2003	1,727,220
	NONPROFIT FACILITIES	
08/05/03	Open Window School 2003	6,600,000
09/18/03	Gonzaga Prepatory School 2003	10,000,000
10/02/03	The Overlake School 2003	10,030,000
	STEPP – NON-PROFIT FACILITIES	
07/02/03	Harbor Montessori School 2003	1,300,000
09/04/03	Opportunity Council 2003	1,350,000
	TOTAL	$ 219,567,435

WASHINGTON STATE
HOUSING FINANCE COMMISSION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002 (CONTINUED)

Bonds redeemed by the trustee under the normal and early redemption provisions of the trust indentures subsequent to June 30, 2003, are detailed below:

Bonds Redeemed Subsequent to June 30, 2003

Bond Issue	Call Amount	Bond Issue	Call Amount
SINGLE-FAMILY		Alderbrook Apartments	$ 85,000
Single-Family 1988 A&B	$ 925,000	Summit Apartments	55,000
Single-Family 1991D&E	279,893	Woodrose Apartments	35,000
Single-Family 1992 BC&D:1st Remarketing	925,000	Holly Village Apts	35,000
Single-Family 1992 BC&D:2nd Remarketing*	6,005,000	Vintage at Bremerton Senior Living	755,000
Single-Family 1994 A&B	815,000	Granite Falls Assisted Living	60,000
Single-Family 1994 C-1, D-1	785,000	Country Club Apartments	155,000
Single-Family 1994 C-2,D-2	1,560,000	Monticello Park	170,000
Single-Family 1994 E-1, F-1	675,000	Viewcrest Village Apartments	4,502
Single-Family 1994 E-2, F-2	2,595,000	GNMA-Parkway Apartments	35,000
Single-Family 1994 H & I	1,935,000	Fort Vancouver Terrace	10,479
Single-Family 1994 B	585,000		
Single-Family 1995 A	1,590,000	**NONPROFIT HOUSING**	
Single-Family 1995 B & C	2,645,000	Emerald Heights *	22,400,000
Single-Family CRA 1998	265,000	Nikkei Concerns	185,000
Single-Family 2002 4AMT	4,245,000	Nikkei Manor	100,000
		Riverview Lutheran Care Center	100,000
MULTIFAMILY HOUSING		Presbyterian Ministries 1999	100,000
Columbia Park	295,000	Golden Sands	50,000
Multifamily 1990-A (11-B)	35,000	Living Care Centers	225,000
Canyon Lakes	70,000	GNMA-Kingsbury Terrace Project	25,000
Burke Gilman Place	40,000		
Canyon Lakes 1994	105,000	**NONPROFIT FACILITIES**	
Pacific Inn Apartments	45,000	WSSDA *	625,000
Hamilton Place Senior Living	70,000	YMCA-Greater Seattle	250,000
Larkin Place Apartments Project	95,000	Pioneer Human Services	240,000
Country Manor One	500,000	YMCA of Snohomish County	200,000
Sherwood Springs Project	130,000	YMCA-Columbia/Willamette	115,000
1998 GNMA Refunding A&B	45,000	CC of Spokane 2000	80,000
Clare House Apartments	25,000	SW WA Pipe Trades Training Ctr.	150,000
		TOTAL	$ 53,529,874

- *Indicates full defeasance*

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WASHINGTON STATE
HOUSING FINANCE COMMISSION

SUPPLEMENTARY INFORMATION:
PROGRAM FINANCIAL STATEMENTS and
SCHEDULE OF NOTES AND BONDS PAYABLE
for the YEARS ENDED JUNE 30, 2003 and 2002

WASHINGTON STATE
HOUSING FINANCE COMMISSION

SUPPLEMENTARY SCHEDULE OF PROGRAM NET ASSETS
JUNE 30, 2003 and 2002

	Restricted Programs		
	Single-Family Housing Bond Program	Multifamily Housing Bond Program	Nonprofit Housing Bond Program
ASSETS			
CASH and CASH EQUIVALENTS	$ 14,840,147	$ 33,647,939	$ 7,421,103
INVESTMENTS:			
U.S. government and agencies			
Investment agreements	249,310,315	21,073,627	12,776,084
TOTAL INVESTMENTS	249,310,315	21,073,627	12,776,084
ACCRUED INTEREST RECEIVABLE	3,177,289	2,364,728	2,617,547
FEES RECEIVABLE, net			
OTHER RECEIVABLES	-	-	-
MORTGAGE-BACKED SECURITIES	547,016,213	60,180,755	3,898,610
Cumulative unrealized gain on mortgage-backed securities	26,264,662	4,392,500	357,697
MORTGAGE-BACKED SECURITIES, net	573,280,875	64,573,255	4,256,307
MORTGAGE LOANS	-	648,118,035	290,910,503
INVESTMENTS in REAL ESTATE	-	13,550,859	-
UNAMORTIZED BOND ISSUANCE COSTS	7,374,523	25,319,721	7,206,880
PREPAID FEES and OTHER	-	21,640	811,434
TOTAL ASSETS	$ 847,983,149	$ 808,669,804	$ 325,999,858

Nonprofit Facilities Bond Program	General Operating Fund	Program Investment Fund	June 30, 2003 Total	June 30, 2002 Total
$ 7,734,867	$ 3,078,355	$ -	$ 66,722,411	$ 66,276,287
	15,278,189	13,995,237	29,273,426	31,310,078
5,216,345		-	288,376,371	200,691,376
5,216,345	15,278,189	13,995,237	317,649,797	232,001,454
1,178,540	451,032	-	9,789,136	12,403,620
	206,919		206,919	683,823
-	102,445	746,615	849,060	2,334,992
-		-	611,095,578	789,618,838
-		-	31,014,859	6,801,852
-	-	-	642,110,437	796,420,690
207,870,878		15,946,482	1,162,845,898	1,083,747,330
-		-	13,550,859	14,021,427
5,729,227		-	45,630,351	44,236,175
-	538,637	-	1,371,711	561,352
$ 227,729,857	$ 19,655,577	$ 30,688,334	$ 2,260,726,579	$ 2,252,687,150

WASHINGTON STATE
HOUSING FINANCE COMMISSION

SUPPLEMENTARY SCHEDULE OF PROGRAM NET ASSETS
JUNE 30, 2003 and 2002

	Restricted Programs		
	Single-Family Housing Bond Program	Multifamily Housing Bond Program	Nonprofit Housing Bond Program
LIABILITIES and NET ASSETS			
ACCOUNTS PAYABLE and OTHER LIABILITIES	$ 2,793,001	$ 11,386,358	$ 6,041,892
ACCRUED INTEREST PAYABLE	5,422,145	4,055,310	4,138,318
ACCRUED ARBITRAGE REBATE	1,053,753	-	-
DEFERRED COMMITMENT FEES	44,420	25,105,624	7,206,881
PROJECT EQUITY HELD FOR BORROWER	-	5,700,017	-
PRIVATE PLACEMENT PROGRAMS NOTES PAYABLE and BOND FUND FINANCING	-	50,792,304	-
BONDS PAYABLE:			
Current interest bonds	736,402,171	585,436,626	296,004,341
Taxable bonds	24,870,000	119,154,844	12,925,000
Compound interest bonds	22,163,778	-	-
Unamortized bond premium	-	594,450	73,789
Unamortized bond discount	(7,744)	(231,013)	(748,392)
TOTAL BONDS PAYABLE	783,428,205	704,954,907	308,254,738
TOTAL LIABILITIES	792,741,524	801,994,520	325,641,829
NET ASSETS			
Restricted:			
Bond operations	55,241,625	6,675,284	358,029
Grants and donations to Program Investment Fund			
Invested in capital assets, net of related debt			
Unrestricted:			
General operations			
Program Investment Fund			
TOTAL NET ASSETS	55,241,625	6,675,284	358,029
TOTAL LIABILITIES and NET ASSETS	$ 847,983,149	$ 808,669,804	$ 325,999,858

Nonprofit Facilities Bond Program	General Operating Fund	Program Investment Fund	June 30, 2003 Total	June 30, 2002 Total
$ 6,756,255	$ 1,211,507	$ -	$ 28,189,013	$ 22,193,191
2,119,940	-	-	15,735,713	18,542,319
-		-	1,053,753	1,343,312
5,729,227	444,070	-	38,530,222	35,337,047
-	-	-	5,700,017	5,379,252
600,000		-	51,392,304	55,732,521
192,765,014		-	1,810,608,152	1,802,553,175
19,830,000		-	176,779,844	205,719,677
-		-	22,163,778	23,463,036
-		-	668,239	699,305
(70,579)		-	(1,057,728)	(1,136,989)
212,524,435	-	-	2,009,162,285	2,031,298,204
227,729,857	1,655,577	-	2,149,763,307	2,169,825,846
-		-	62,274,938	37,863,819
		600,000	600,000	637,377
	319,380		319,380	378,885
	17,680,620		17,680,620	17,621,115
		30,088,334	30,088,334	26,360,108
-	18,000,000	30,688,334	110,963,272	82,861,304
$ 227,729,857	$ 19,655,577	$ 30,688,334	$ 2,260,726,579	$ 2,252,687,150

WASHINGTON STATE
HOUSING FINANCE COMMISSION

SUPPLEMENTARY SCHEDULE OF PROGRAM REVENUES, EXPENSES and CHANGES in PROGRAM NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2003 and 2002

	Restricted Programs		
	Single-Family Housing Bond Program	Multifamily Housing Bond Program	Nonprofit Housing Bond Program
REVENUES:			
Interest earned on mortgages	$ 40,249,338	$ 23,505,777	$ 12,020,222
Interest and investment income	7,726,765	186,532	13,177
Gain on mortgage-backed securities	19,941,642	3,631,456	422,976
Other fee income	2,183,958	2,687,355	482,037
Nonoperating revenues -			
Grants and donations			
TOTAL REVENUES	70,101,703	30,011,120	12,938,412
EXPENSES:			
Interest on debt	43,898,882	23,255,546	11,917,085
Amortization of bond discount	-	1,721	43,793
Amortization of bond issuance costs	2,740,622	2,147,824	448,733
Servicing and commission fees	1,364,812	269,770	12,300
Salaries and wages			
Communication and office expense			
Trustee and paying agent fees	246,296	28,133	2,960
Professional fees			
Amortization of bond insurance premium	-	-	59,064
Other	836,536	1,366,039	-
Nonoperating expenses -			
Grants and donations	-	-	-
TOTAL EXPENSES	49,087,148	27,069,033	12,483,935
EXCESS of REVENUES over EXPENSES	21,014,555	2,942,087	454,477
NET ASSETS:			
Total net assets, beginning of year	34,227,070	3,733,197	(96,448)
Distribution of equity			
Total net assets, end of year	$ 55,241,625	$ 6,675,284	$ 358,029

Nonprofit Facilities Bond Program	General Operating Fund	Program Investment Fund	June 30, 2003 Total	June 30, 2002 Total
$ 8,452,081	$ -	$ -	$ 84,227,418	$ 90,546,723
-	2,063,132	-	9,989,606	12,047,107
-	-	-	23,996,074	22,780,279
507,884	8,197,306	471,214	14,529,754	12,873,925
	213,129	7,691	220,820	246,400
8,959,965	10,473,567	478,905	132,963,672	138,494,434
8,448,406	-	467,385	87,987,304	95,139,745
3,675	-	-	49,189	63,767
507,884	-	-	5,845,063	4,730,725
-	-	-	1,646,882	1,673,295
	3,910,149		3,910,149	3,654,630
	2,346,480		2,346,480	2,418,583
-	-	-	277,389	240,702
	324,480		324,480	335,012
-	-	-	59,064	33,867
-	-	-	2,202,575	2,072,365
-	213,129	-	213,129	209,023
8,959,965	6,794,238	467,385	104,861,704	110,571,714
-	3,679,329	11,520	28,101,968	27,922,720
-	18,000,000	26,997,485	82,861,304	54,938,584
	(3,679,329)	3,679,329	-	
$ -	$ 18,000,000	$ 30,688,334	$ 110,963,272	$ 82,861,304

WASHINGTON STATE
HOUSING FINANCE COMMISSION

SUPPLEMENTARY SCHEDULE OF PROGRAM CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 and 2002

	Restricted Programs		
	Single-Family Housing Bond Program	Multifamily Housing Bond Program	Nonprofit Housing Bond Program
OPERATING ACTIVITIES:			
Receipts for interest on mortgages	$ 40,393,333	$ 24,080,277	$ 12,099,817
Receipts for other fee income	1,745,032	6,505,382	55,510
Receipts for loans and mortgage prepayments	224,426,056	34,679,137	(1,016,251)
Payments for acquisition of loans and mortgages	(70,735,529)	(67,524,517)	(4,645,142)
Payments for bond program expenses	(4,399,757)	(5,616,871)	435,678
Payments to employees and suppliers			
Net cash provided (used) by operating activities	191,429,135	(7,876,592)	6,929,612
INVESTING ACTIVITIES:			
Purchase of investments	(275,872,656)	(24,373,023)	(901,214)
Sale of investments	185,900,419	16,417,034	4,818,787
Interest received on investments	7,833,885	262,209	17,412
Net cash provided (used) by investing activities	(82,138,352)	(7,693,780)	3,934,985
NONCAPITAL FINANCING ACTIVITIES:			
Grants and donations			
Contributions	-	-	33,304
Net cash provided (used) by noncapital financing activities	-	-	33,304
CAPITAL FINANCING ACTIVITIES:			
Cash received (paid) as project equity	-	385,000	(64,235)
Proceeds from sale of bonds and notes	159,166,256	93,739,198	2,457,866
Interest paid on debt	(46,221,041)	(23,853,016)	(12,049,282)
Debt repayments	(229,350,713)	(48,080,343)	(7,701,315)
Net cash used by capital financing activities	(116,405,498)	22,190,839	(17,356,966)
NET INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	(7,114,715)	6,620,467	(6,459,065)
CASH and CASH EQUIVALENTS:			
Beginning of year	21,954,862	27,027,472	13,880,168
End of year	$ 14,840,147	$ 33,647,939	$ 7,421,103

Nonprofit Facilities Bond Program	General Operating Fund	Program Investment Fund	June 30, 2003 Total	June 30, 2002 Total
$ 9,242,179	$ -	$ -	$ 85,815,606	$ 89,622,488
438,980	9,252,801	483,121	18,480,826	17,191,608
16,972,537	-	-	275,061,479	176,186,703
(31,431,796)	-	(696,565)	(175,033,549)	(308,049,010)
3,783,911	-	(25,768)	(5,822,807)	(10,579,534)
	(6,315,857)	(467,385)	(6,783,242)	(6,880,248)
(994,189)	2,936,944	(706,597)	191,718,313	(42,507,993)
(8,349,238)	942,412	1,095,814	(307,457,905)	(286,565,639)
14,531,414	-	-	221,667,654	349,606,631
581,489	2,112,223	-	10,807,218	14,238,116
6,763,665	3,054,635	1,095,814	(74,983,033)	77,279,108
			-	(37,377)
-	(3,679,329)	3,679,331	33,306	87,053
-	(3,679,329)	3,679,331	33,306	49,676
-	-	-	320,765	(23,756,430)
32,668,137	-	-	288,031,457	448,548,157
(8,673,756)	-	-	(90,797,095)	(98,199,015)
(24,676,670)	-	(4,068,548)	(313,877,589)	(366,657,788)
(682,289)	-	(4,068,548)	(116,322,462)	(40,065,076)
5,087,187	2,312,250	-	446,124	(5,244,285)
2,647,680	766,105	-	66,276,287	71,520,572
$ 7,734,867	$ 3,078,355	$ -	$ 66,722,411	$ 66,276,287

WASHINGTON STATE
HOUSING FINANCE COMMISSION

SUPPLEMENTARY SCHEDULE OF PROGRAM CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2003 and 2002

	Restricted Programs		
	Single-Family Housing Bond Program	Multifamily Housing Bond Program	Nonprofit Housing Bond Program
RECONCILIATION of EXCESS of REVENUES over EXPENSES to NET CASH PROVIDED (USED) by OPERATING ACTIVITIES:			
Excess of revenues over expenses	$ 21,014,555	$ 2,942,087	$ 454,477
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:			
Amortization of mortgage premium	-	216,103	-
Amortization of mortgage discount	(2,380,832)	(7,710)	(46,537)
Amortization of prepaid bond insurance	-	32,201	-
Amortization of bond issuance costs	2,776,878	2,224,409	448,733
Amortization of bond premium	(995)	(28,322)	(2,744)
Amortization of bond discount	-	30,043	46,537
Amortization of deferred fee income	(1,454,808)	(2,008,896)	(417,802)
Cash provided (used) by changes in operating assets and liabilities:			
Purchase of mortgage loans	(69,118,520)	(67,616,903)	(4,645,142)
Repayments of mortgage loans	224,426,056	34,772,353	(1,016,251)
Interest and other receivables	(6,959,936)	(74,891)	112,955
Interest and other payables	42,924,895	25,491,323	12,451,666
Unrealized gain on securities	(19,798,158)	(3,848,389)	(422,976)
Fees received	-	-	-
Other	-	-	(33,304)
Net cash provided (used) by operating activities	$ 191,429,135	$ (7,876,592)	$ 6,929,612

Nonprofit Facilities Bond Program	General Operating Fund	Program Investment Fund	June 30, 2003 Total	June 30, 2002 Total
$ -	$ 3,679,329	$ 11,520	$ 28,101,968	$ 27,922,720
-	-	-	216,103	40,706
(3,675)	-	-	(2,438,754)	(894,891)
-	-	-	32,201	4,395
600,939	-	-	6,050,959	6,014,705
-	-	-	(32,061)	(83,136)
3,675	-	-	80,255	-
(600,939)	-	-	(4,482,445)	(5,871,666)
(31,431,796)	-	-	(172,812,361)	(305,275,172)
16,972,537	-	-	275,154,695	176,282,339
793,773	(1,007,638)	4,216	(7,131,521)	(13,807,297)
12,671,297	265,253	(25,768)	93,778,666	98,034,572
-	-	-	(24,069,523)	(22,208,219)
-	-	-	-	34,615
-	-	(696,565)	(729,869)	(2,701,664)
$ (994,189)	$ 2,936,944	$ (706,597)	$ 191,718,313	$ (42,507,993)

WASHINGTON STATE
HOUSING FINANCE COMMISSION

SUPPLEMENTARY SCHEDULE OF NOTES AND BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2003, with COMPARATIVE TOTALS for 2002

Series	Issue Date	Original Amount	Final Maturity Date	Balance Outstanding 2003	2002
Single-Family (Stand-Alones)					
Bonds Payable:					
Single-Family 1988A&B	11/3/1988	$ 85,499,983	7/1/2015	$ 2,275,000	$ 4,410,000
Single-Family 1991B&C (CAB)*	6/27/1991	60,979,896	7/1/2024	-	655,456
Single-Family 1991D&E (CAB)*	12/18/1991	69,299,879	1/1/2025	988,537	13,494,525
Single-Family 1992B,C&D-1	4/1/1993	23,545,000	1/1/2026	7,765,000	9,465,000
Single-Family 1992B,C&D-2	12/1/1993	15,000,000	1/1/2026	6,005,000	7,735,000
Single-Family Draw Down Program	5/30/2002	500,000,000	6/1/2036	134,829,800	56,050,000
Single-Family 1994A-1,A-2	4/6/1994	15,000,000	1/1/2026	5,595,000	7,205,000
Single-Family 1992B,C&D-3	6/1/1994	10,000,000	1/1/2026	-	5,005,000
Single-Family 1994C-1,D-1	10/3/1994	25,000,000	1/1/2028	9,095,000	13,450,000
Single-Family 1994C-2,D-2	11/1/1994	19,750,000	1/1/2028	6,200,000	9,600,000
Single-Family 1994E-1,F-1	11/1/1994	10,250,000	1/1/2028	2,450,000	4,000,000
Single-Family 1994E-2,F-2&G	12/1/1994	30,000,000	1/1/2028	9,860,000	14,660,000
Single-Family 1994H&I	12/31/1994	35,000,000	7/1/2026	6,575,000	10,900,000
Single-Family 1994B	1/3/1995	10,000,000	1/1/2026	2,595,000	4,495,000
Single-Family 1995A	2/8/1995	45,000,000	7/1/2026	8,095,000	13,125,000
Single-Family 1995B&C	5/2/1995	35,000,000	1/1/2027	12,140,000	17,890,000
Single-Family 1998 CRA-A	11/19/1998	5,300,000	1/1/2031	4,940,000	5,020,000
Single-Family 1999 CRA-A	7/29/1999	5,350,000	7/1/2031	4,410,000	4,960,000
				$ 223,818,337	$ 202,119,981
Single-Family (Open Indenture)					
Bonds Payable:					
Single-Family 1995-1A1	6/7/1995	$ 40,000,000	6/1/2027	$ 10,925,000	$ 24,825,000
Single-Family 1995-1A3	5/1/1996	20,000,000	6/1/2028	18,460,000	18,755,000
Single-Family 1996 1A1	5/30/1996	25,000,000	12/1/2027	8,605,000	15,850,000
Single-Family 1996 2A/2N/2T	9/4/1996	30,000,000	12/1/2027	10,260,000	19,640,000
Single-Family 1996 3A/3T	12/4/1996	20,000,000	6/1/2028	6,435,000	11,325,000
Single-Family 1997 2A/2N	5/15/1997	34,525,000	12/1/2028	10,590,000	16,665,000
Single-Family 1997 3A/3T	8/27/1997	21,600,000	12/1/2028	9,955,000	15,580,000
Single-Family 1997 4A/4N/4T	11/20/1997	20,000,000	6/1/2029	10,200,000	16,540,000
Single-Family 1998 1A/1N/1T	2/26/1998	20,000,000	6/1/2029	12,555,000	17,520,000
Single-Family 1998 2A/2T	4/23/1998	16,000,000	6/1/2029	11,240,000	14,725,000
Single-Family 1998 3A/3N/3T	6/4/1998	34,480,000	12/1/2029	20,535,000	29,645,000
Single-Family 1998 4A/4A-(CAB)**/4T	8/27/1998	35,002,696	6/1/2030	30,553,260	33,007,386
Single-Family 1998 5A/5A-(CAB)**/5N/5T	11/19/1998	22,217,675	6/1/2030	20,136,742	21,011,789
Single-Family 1999 1A/1-(CAB)**/1N/1T	2/24/1999	25,001,382	6/1/2030	21,902,966	23,815,044
Single-Family 1999 2A/2A-(CAB)**/2N/2T	5/27/1999	23,500,452	12/1/2030	19,572,273	22,433,836
Single-Family 1999 3A/3T	6/24/1999	30,000,000	12/1/2030	17,300,000	26,435,000
Single-Family 1999 4A/4N/4T	8/25/1999	35,000,000	12/1/2030	21,660,000	32,880,000
Single-Family 1999 5A/5N/5T	11/2/1999	32,575,000	6/1/2031	21,985,000	31,190,000
Single-Family 2000 1A/1T	2/24/2000	30,000,000	6/1/2031	1,870,000	21,675,000
Single-Family 2000 2A/2N/2T	4/27/2000	35,000,000	12/1/2031	17,095,000	22,850,000
Single-Family 2000 3A/3N/3T	7/12/2000	32,000,000	12/1/2031	17,135,000	20,035,000
Single-Family 2000 4A/4T	11/14/2000	23,000,000	6/1/2032	17,540,000	23,000,000
Single-Family 2000 5A-R/5N-R	11/14/2000	14,280,000	6/1/2022	4,325,000	7,755,000
Single-Family 2001 1A/N	2/28/2001	20,000,000	12/1/2032	19,645,000	20,000,000
Single-Family 2001 2A	5/30/2001	27,000,000	12/1/2032	26,055,000	26,870,000
Single-Family 2001 3A-R/3N-R	5/30/2001	5,695,000	6/1/2022	3,285,000	4,700,000
Single-Family 2001 4A/4T	7/26/2001	30,000,000	12/1/2032	28,665,000	29,870,000
Single-Family 2001 5A	11/15/2001	20,000,000	6/1/2033	19,990,000	20,000,000
Single-Family 2002 1A	3/14/2002	20,000,000	6/1/2033	18,175,000	20,000,000
Single-Family 2002 2A, 3A/ 3N-R	5/30/2002	43,110,000	12/1/2033	34,581,396	43,110,000

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Single-Family 2002 4A	8/30/2002	25,000,000	12/1/2033	25,000,000	N/A
Single-Family 2002 5A	1/15/2003	23,580,000	12/1/2033	23,385,975	N/A
Single-Family 2003 1A/1N	5/21/2003	20,000,000	6/1/2005	20,000,000	N/A
				559,617,612	651,708,055
Unamortized Bond Discount				(7,744)	(6,749)
				$ 783,428,205	$ 853,821,287
Multifamily Housing					
Notes Payable:					
Willowgreen	11/18/1986	$ 9,275,000	10/1/2010	$ 9,275,000	$ 9,275,000
Orchard Hills	12/31/1986	5,650,000	12/31/2006	5,650,000	5,650,000
Crowne Pointe	12/31/1986	5,075,000	12/31/2006	5,075,000	5,075,000
Newport Village	2/11/1987	13,000,000	1/31/2007	13,000,000	13,000,000
James St. Crossing	3/29/1988	16,379,123	12/1/2008	16,379,123	16,379,123
Private Placement 1988	2/18/1988	7,200,000	3/1/2008	459,181	478,850
Private Placement Lake Washington Apartments	1/27/1998	600,000	6/30/2036	600,000	600,000
Burke Gilman Place 2000	2/16/2000	4,495,000	7/1/2035	354,000	486,000
				$ 50,792,304	$ 50,943,973
Bonds Payable:					
Mill Plain	2/25/1988	$ 12,400,000	1/1/2010	$ 12,400,000	$ 12,400,000
Pacific First Federal 1988A	5/26/1988	17,300,000	7/1/2020	-	5,205,000
Pacific First Federal 1988B	9/14/1988	47,525,000	10/1/2020	6,887,000	7,112,000
Columbia Park	6/29/1989	5,685,000	1/1/2005	1,255,000	1,795,000
Multifamily 1990A&B - (11b)	12/18/1990	9,200,000	7/1/2023	3,735,000	6,130,000
1992 A&B Fannie Mae Refunding	12/9/1992	89,631,894	1/1/2018	18,887,508	35,136,111
Canyon Lakes	7/28/1993	4,565,000	7/1/2018	4,440,000	4,505,000
Burke Gilman	11/30/1993	4,640,000	7/1/2025	3,955,000	4,035,000
Canyon Lakes II	10/19/1994	6,935,000	10/1/2019	6,750,000	6,845,000
Arbors on the Park	10/1/1994	14,850,000	10/1/2024	14,850,000	14,850,000
Multifamily 1994A Fannie Mae Refunding	12/8/1994	27,727,879	7/1/2015	1,380,530	16,891,149
Evergreen Ridge	12/9/1994	6,050,000	12/1/2024	5,110,000	5,270,000
Multifamily Preservation Program	10/13/1994	2,611,300	10/1/2024	2,462,205	2,485,442
Mallard Cove	2/1/1995	8,920,000	1/1/2030	7,511,475	7,795,628
Gilman Meadows	2/1/1995	6,875,000	1/1/2030	6,039,384	6,225,799
Inglenook Court	5/25/1995	8,300,000	7/1/2025	8,300,000	8,300,000
Heatherstone Apartments	7/12/1995	9,800,000	7/1/2025	8,285,000	8,545,000
Summerglenn Apartments	11/16/1995	7,000,000	11/1/2025	6,400,000	6,515,000
Wandering Creek Project	11/22/1995	5,300,000	1/1/2026	5,300,000	5,300,000
Pacific Crest Apartments	11/28/1995	5,815,000	1/1/2026	5,350,000	5,440,000
LTC Properties	12/13/1995	8,300,000	12/1/2015	6,640,000	6,960,000
Courtside Apartments	2/28/1996	10,600,000	1/1/2026	9,695,000	9,870,000
Pooled Loan Program	3/29/1996	11,170,000	1/1/2021	10,145,000	10,345,000
Lake Washington Apartments	10/30/1996	10,750,000	10/1/2026	10,250,000	10,450,000
Brittany Park Project	11/7/1996	14,200,000	11/1/2021	13,035,000	13,035,000
Pacific Inn Apartments	11/8/1996	5,900,000	5/1/2028	5,530,000	5,620,000
Eaglepoint	11/27/1996	6,450,000	7/1/2028	6,450,000	6,450,000
Winterhill	11/27/1996	8,700,000	7/1/2028	8,700,000	8,700,000
Assisted Living	11/21/1996	8,500,000	1/1/2017	7,295,000	7,605,000
Meridian Court	12/12/1996	8,000,000	12/1/2028	6,700,000	6,700,000
Hamilton Place Senior Living	12/20/1996	4,140,000	7/1/2028	3,895,000	3,960,000
Larkin Apartments	12/20/1996	5,565,000	7/1/2028	5,235,000	5,325,000
Country Manor One Project	3/27/1997	11,620,000	1/1/2012	11,620,000	11,620,000
Merrill Gardens	7/14/1997	12,500,000	7/1/2022	8,125,000	8,125,000
Glenbrooke Apartments	9/4/1997	11,200,000	7/1/2029	10,805,000	10,805,000
Marketplace Apartments	9/4/1997	8,600,000	7/1/2029	8,305,000	8,305,000

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Sherwood Springs	9/24/1997	8,810,000	9/1/2027	8,380,000	8,500,000
Anchor Village	12/10/1997	10,750,000	12/15/2027	10,750,000	10,750,000
1998 Ginnie Mae Refunding	1/21/1998	7,515,000	7/1/2030	7,125,000	7,215,000
Rosecreek Senior Living	2/26/1998	4,755,000	2/1/2028	4,515,000	4,590,000
Twin Ponds Apartments	2/26/1998	7,355,000	2/1/2028	6,990,000	7,105,000
Clare House	5/1/1998	4,100,000	7/1/2030	4,060,000	4,080,000
Brittany Park II	8/12/1998	5,800,000	11/1/2021	5,540,000	5,540,000
Alderbrook Apartments	9/2/1998	13,200,000	6/1/2030	12,770,000	12,930,000
Summit Apartments	9/2/1998	8,750,000	6/1/2030	8,460,000	8,570,000
Boardwalk Apartments	9/14/1998	12,400,000	9/1/2028	11,930,000	12,080,000
Cedar Landings Apartments	11/30/1998	7,000,000	12/1/2028	6,730,000	6,825,000
Oxford Square Apartments	11/30/1998	6,000,000	12/1/2028	5,760,000	5,845,000
Avalon Ridge Apartments	10/14/1999	18,755,000	5/15/2026	18,755,000	18,755,000
Regency Park Apartments	9/23/1999	11,150,000	9/1/2029	10,535,000	10,535,000
WoodRose Apartments	11/9/1999	9,000,000	6/15/2032	8,405,000	9,000,000
Summer Ridge Apartments	12/13/1999	4,740,000	12/1/2029	4,555,000	4,620,000
Mill Pointe	12/21/1999	14,500,000	1/1/2030	14,230,000	14,420,000
Silver Springs Apartments	12/22/1999	10,270,000	12/22/2029	10,270,000	10,270,000
Holly Village	12/23/1999	8,800,000	7/15/2032	8,135,000	8,800,000
Burke Gilman Place 2000	2/16/2000	4,495,000	7/1/2035	3,835,000	3,835,000
Vintage at Bremerton Senior Project	9/29/2000	7,600,000	5/15/2033	7,600,000	7,600,000
Granite Falls	10/3/2000	3,930,000	10/1/2027	3,930,000	3,930,000
Ferris View	10/11/2000	1,425,000	11/1/2031	1,142,000	1,425,000
Evergreen 2000 (Ginnie Mae)	10/17/2000	5,950,000	1/1/2036	5,895,000	5,950,000
Carlyle Care Center	12/22/2000	4,700,000	12/1/2025	4,650,000	4,700,000
Lakewood Meadows	11/21/2000	7,850,000	7/15/2033	7,850,000	7,850,000
Springfield Meadows Apartments Project	8/6/2001	17,000,000	1/1/2034	17,000,000	17,000,000
Country Club Apartments Project	8/9/2001	12,920,000	8/1/2032	12,920,000	12,920,000
Monticello Park Project	8/13/2001	10,475,000	8/1/2026	10,475,000	10,475,000
Vintage at Vancouver Senior Living Project	12/6/2001	10,250,000	1/15/2035	10,250,000	10,250,000
Parkside Apartments	10/30/2001	11,700,000	1/20/2043	11,700,000	11,700,000
Woodlands Apartments Project 2001	12/7/2001	6,600,000	7/15/2034	6,600,000	6,600,000
Silverwood Apartments Project 2001	12/11/2001	3,825,000	11/1/2038	3,825,000	3,825,000
Ocean Ridge Apartments 2001	12/21/2001	9,000,000	11/1/2038	9,000,000	9,000,000
Alderwood Court	5/17/2002	7,645,000	6/15/2035	7,645,000	7,645,000
Tama Qua (Whisperwood)	5/14/2002	7,900,000	5/15/2035	7,900,000	7,900,000
Valley View Apartments 2002	2/19/2002	2,880,000	9/15/2020	2,880,000	2,880,000
Olympic Heights Apartments 2002	2/19/2002	5,165,000	9/15/2020	5,165,000	5,165,000
Viewcrest Village	5/21/2002	10,904,000	10/1/2038	10,904,000	10,904,000
Parkway Apartments	6/20/2002	9,180,000	7/20/2037	9,140,000	9,180,000
Bridgewood at Four Seasons	10/4/2002	9,800,000	10/1/2032	9,800,000	N/A
Park Hill	8/27/2002	7,000,000	4/1/2034	7,000,000	N/A
Deer Run	10/1/2002	4,900,000	5/1/2030	4,900,000	N/A
Quail Run	12/6/2002	7,150,000	7/1/2035	7,150,000	N/A
Heatherwood Apts.	12/11/2002	21,350,000	1/1/2035	21,350,000	N/A
Tashiro Kaplan	4/30/2003	5,290,000	1/20/2045	5,290,000	N/A
Mallard Lake Park Apts.	11/26/2002	18,500,000	5/15/2035	18,500,000	N/A
Fort Vancouver	4/3/2003	6,668,000	3/1/2035	6,668,000	N/A
Vintage at Mt. Vernon	6/5/2003	10,000,000	1/15/2037	10,000,000	N/A
Streamlined Tax Exempt Private Placement - Multifamily Housing	various	31,320,178	various	24,009,368	23,431,387
				704,591,471	659,251,515
Unamortized Bond Discount				(231,013)	(261,057)
Unamortized Bond Premium				594,450	622,772
				$ 704,954,907	$ 659,613,230

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Nonprofit Housing					
Bonds Payable:					
Emerald Heights	10/10/1990	$ 58,300,000	1/1/2021	$ 22,400,000	$ 23,600,000
SNAP 1991 A	3/26/1991	4,000,000	7/1/2018	152,193	156,772
Gonzaga University	4/8/1993	6,500,000	7/1/2014	4,665,000	4,930,000
Nikkei Concerns	10/20/1994	6,250,000	10/1/2019	4,995,000	5,170,000
Judson Park	4/5/1995	11,395,000	1/1/2025	10,425,000	10,630,000
The Hearthstone Project	5/31/1995	5,780,000	1/1/2021	4,895,000	5,040,000
Horizon House Project	10/3/1995	13,765,000	7/1/2027	12,625,000	12,842,973
Nikkei Manor	11/6/1996	3,100,000	10/1/2021	2,800,000	2,900,000
Panorama City	1/29/1997	24,300,000	1/1/1927	21,100,000	21,700,000
Riverview Lutheran	7/23/1997	4,000,000	7/1/2022	3,565,000	3,660,000
Seattle University Auxiliary	3/26/1998	23,745,000	7/1/2031	23,130,000	23,445,000
Crista Ministries Projects & Refunding	6/8/1998	17,475,000	7/1/2017	14,840,000	15,785,000
WA Odd Fellows Home	10/15/1998	10,100,000	7/1/2028	9,565,000	9,750,000
Presbyterian Ministries Rev & Refunding	2/25/1999	11,965,000	1/1/2029	11,330,000	11,515,000
Tacoma Lutheran 1999	7/15/1999	6,510,000	1/1/2024	6,120,000	6,240,000
Golden Sands Apartments	9/3/1999	3,050,000	7/1/2029	3,000,000	3,050,000
The Kline Galland Center	9/23/1999	27,500,000	7/1/2029	27,500,000	27,500,000
Rockwood Retirement Communities	11/23/1999	27,000,000	1/1/2030	25,820,000	26,235,000
Wesley Homes 1999 Project & Refunding	12/1/1999	9,200,000	1/1/2020	8,405,000	8,685,000
Living Care Centers	10/26/2000	14,950,000	10/1/2030	14,735,000	14,950,000
Kingsbury Terrace	2/9/2001	4,100,000	7/1/2042	4,100,000	4,100,000
Pioneer Human Services '01	8/2/2001	7,100,000	8/1/2019	6,760,000	7,015,000
Kenney Home Project 2001	11/15/2001	18,135,000	12/1/2031	18,135,000	18,135,000
Rockwood Forest Estates	5/23/2002	9,560,000	1/1/2034	9,560,000	9,560,000
Evangelical Lutheran Good Samaritan Society	5/1/2001	2,080,000	7/1/2008	2,035,000	2,080,000
Streamlined Tax Exempt Private Placement - Multifamily Nonprofit Housing	various	39,371,907	various	36,272,148	35,498,045
				308,929,341	314,172,790
Unamortized Bond Discount				(748,392)	(794,929)
Unamortized Bond Premium				73,789	76,533
				$ 308,254,739	$ 313,454,395
Nonprofit Facilities					
Notes Payable:					
American Red Cross	2/5/1998	$ 1,200,000	2/1/2008	$ 600,000	$ 720,000
Bonds Payable:					
WA State School Directors Association	9/11/1991	$ 890,000	7/1/2012	$ 625,000	$ 665,000
YMCA of Greater Seattle	9/17/1991	7,700,000	7/1/2011	4,950,000	5,200,000
Pioneer Human Services	10/17/1991	4,595,000	7/1/2011	2,520,000	2,745,000
Western Washington Fair	7/13/1993	10,000,000	1/1/2014	-	7,200,000
YMCA of Snohomish County	8/17/1994	5,000,000	8/1/2019	3,330,000	3,530,000
Plumbers & Pipe fitters	12/7/1995	3,400,000	7/1/2020	2,850,000	2,940,000
Antioch	10/4/1996	7,500,000	1/1/2027	6,745,000	6,900,000
Virginia Mason	12/3/1997	27,410,000	1/1/2024	25,490,000	26,030,000
Community College of Spokane Foundation	9/24/1998	3,155,000	7/1/2008	2,985,000	3,080,000
YMCA-Puyallup/Pierce County	12/2/1998	11,000,000	12/1/2008	10,250,000	10,250,000
YMCA-Inland Northwest	4/8/1999	5,800,000	7/1/2029	5,800,000	5,800,000
YMCA-Snohomish County 1999	6/9/1999	4,600,000	6/1/2027	3,475,000	3,800,000
YMCA-Columbia/Willamette Valley	8/12/1999	3,900,000	8/1/2024	3,790,000	3,900,000
South Sound YMCA 1999	9/30/1999	5,500,000	1/1/2024	5,170,000	5,285,000

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St. Vincent dePaul Project	2/1/2000	5,000,000	2/1/2030	4,840,000	4,920,000
University Prep Academy	5/4/2000	7,000,000	7/1/2030	6,900,000	7,000,000
Community College of Spokane Foundation 2000	8/4/2000	8,800,000	7/1/2030	8,640,000	8,720,000
Seattle Academy of Arts & Sciences	10/2/2000	15,445,000	1/1/2031	15,445,000	15,445,000
Greens at Merrill Creek	10/12/2000	17,310,000	6/1/2024	17,310,000	17,310,000
Southwest WA Pipe Trades Training Center	10/31/2000	4,230,000	10/1/2025	4,090,000	4,230,000
Evergreen School 2002	6/27/2002	9,500,000	7/1/2028	9,500,000	9,500,000
Tacoma Art Museum	6/4/2002	10,000,000	6/1/2032	10,000,000	10,000,000
Annie Wright School	12/13/2002	6,000,000	12/1/2023	6,000,000	N/A
United Way of King County	3/11/2003	8,500,000	3/1/2028	8,500,000	N/A
Streamlined Tax Exempt Private Placement - Nonprofit Facilities	various	57,305,432	various	43,390,014	40,033,546
				212,595,014	204,483,546
Unamortized Bond Discount				(70,579)	(74,254)
				$ 212,524,434	$ 204,409,292
Total Notes Payable				$ 51,392,304	$ 51,663,973
Total Bonds Payable				$ 2,009,162,285	$ 2,031,298,204

* Capital Appreciation Bonds