

**EagleBend Affordable Housing Corporation  
(A Colorado Non-Profit Corporation)**

**Financial Report**

**December 31, 2016 and 2015**



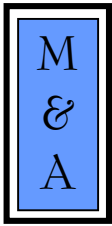
**RECEIVED**

*By Electronic Submission at 1:22 pm, May 10, 2017*

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**Financial Statements**  
**December 31, 2016 and 2015**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report	1 - 2
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 14



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
EagleBend Affordable Housing Corporation  
Avon, Colorado**

### ***Report on the Financial Statements***

We have audited the accompanying statement of financial position of EagleBend Affordable Housing Corporation, a Colorado non-profit corporation, as of December 31, 2016 and 2015 and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibilities***

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 audit. We conducted our audit 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 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 purposes 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 we obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Member: American Institute of Certified Public Accountants*

PAUL J. BACKES, CPA, CGMA  
MICHAEL N. JENKINS, CA, CPA, CGMA  
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800  
ASPEN: (970) 544-3996  
FRISCO: (970) 668-3481

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EagleBend Affordable Housing Corporation as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**February 24, 2017**

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**Statement of Financial Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015 (Restated)</b>
<b>Assets:</b>		
<b>Current Assets:</b>		
Operating cash	746,990	971,284
Receivables - Tenants and other, net of allowance of doubtful accounts of \$997 and \$20	6,883	4,324
Prepaid expenses	4,143	3,625
<b>Total Current Assets</b>	<b>758,016</b>	<b>979,233</b>
<b>Restricted Assets:</b>		
Cash - Tenant security deposits	46,311	46,301
Restricted cash with Trustee	714,843	646,136
Restricted investments with Trustee	580,512	580,512
Notes receivable	651,500	651,500
Accrued interest receivable	117,015	85,073
<b>Total Restricted Assets</b>	<b>2,110,181</b>	<b>2,009,522</b>
<b>Fixed Assets, Net of Accumulated Depreciation</b>	<b>9,272,159</b>	<b>8,919,003</b>
<b>Total Assets</b>	<b>12,140,356</b>	<b>11,907,758</b>
<b>Liabilities and Net Position (Deficit):</b>		
<b>Current Liabilities:</b>		
Accounts payable	97,124	149,869
Prepaid rent	32,591	46,705
Tenant security deposits	419,235	404,425
Accrued interest	85,856	87,378
Current portion of long-term debt	890,000	850,000
<b>Total Current Liabilities Payable From Restricted Assets and Operating Cash</b>	<b>1,524,806</b>	<b>1,538,377</b>
<b>Long-term Debt:</b>		
Revenue bonds, net of deferred financing costs and amortization of \$621,660 and \$754,873	10,253,340	11,010,127
Revenue bonds - Subordinate Series	200,000	200,000
<b>Total Long-term Debt</b>	<b>10,453,340</b>	<b>11,210,127</b>
<b>Total Liabilities</b>	<b>11,978,146</b>	<b>12,748,504</b>
<b>Net Assets (Deficit) - Unrestricted</b>	<b>162,210</b>	<b>(840,746)</b>
<b>Total Liabilities and Net Assets</b>	<b>12,140,356</b>	<b>11,907,758</b>

The accompanying notes are an integral part of these financial statements.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**Statement of Activities**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u> <u>(Restated)</u>
<b>Operating Revenues:</b>		
Rent	3,566,212	3,460,736
Other	211,522	210,998
<b>Total Operating Revenues</b>	<u>3,777,734</u>	<u>3,671,734</u>
<b>Operating Expenses:</b>		
Payroll and related benefits:		
Administrative payroll	113,219	149,756
Maintenance and grounds payroll	254,147	293,563
Employee benefits and rent	259,027	257,334
Administrative	109,125	150,591
Maintenance and grounds	339,899	319,208
Management fee	171,663	167,705
Insurance	58,231	53,451
Utilities, net	57,720	48,877
<b>Total Operating Expenses Before Depreciation</b>	<u>1,363,031</u>	<u>1,440,485</u>
<b>Operating Income Before Depreciation</b>	2,414,703	2,231,249
Depreciation	<u>(666,212)</u>	<u>(565,255)</u>
<b>Operating Income</b>	<u>1,748,491</u>	<u>1,665,994</u>
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	43,287	44,507
Interest expense and fees	(650,252)	(671,988)
Trustee and bond fees	(5,357)	(5,300)
Amortization of deferred bond issue costs	<u>(133,213)</u>	<u>(133,213)</u>
<b>Net Non-Operating (Expenses)</b>	<u>(745,535)</u>	<u>(765,994)</u>
<b>Net Income</b>	1,002,956	900,000
<b>Net Assets - Beginning of Year</b>	<u>(840,746)</u>	<u>(1,740,746)</u>
<b>Net Assets - End of Year</b>	<u>162,210</u>	<u>(840,746)</u>

The accompanying notes are an integral part of these financial statements.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015 (Restated)</b>
<b>Cash Flows From Operations:</b>		
Cash flows from tenants for rent	3,549,539	3,473,816
Interest income	11,346	13,120
Other cash receipts	226,332	230,973
Cash paid for goods and services	(795,260)	(729,659)
Cash paid for salaries and benefits	(626,393)	(700,652)
Interest and fees	(651,774)	(678,090)
<b>Net Cash Provided By Operating Activities</b>	<b>1,713,790</b>	<b>1,609,508</b>
<b>Cash Flows From Financing Activities:</b>		
Principal paid on debt	(850,000)	(805,000)
<b>Net Cash (Used) By Capital and Related Financing Activities</b>	<b>(850,000)</b>	<b>(805,000)</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments	-	200,000
Fixed asset purchase	(1,019,367)	(838,986)
<b>Net Cash Provided by Investing Activities</b>	<b>(1,019,367)</b>	<b>(638,986)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(155,577)</b>	<b>165,522</b>
<b>Cash and Cash Equivalents - Beginning of Period</b>	<b>1,663,721</b>	<b>1,498,199</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b>1,508,144</b>	<b>1,663,721</b>
<b>Cash and Cash Equivalents:</b>		
Operating cash	746,990	971,284
Tenant security deposits	46,311	46,301
Restricted cash with Trustee	714,843	646,136
<b>Total Cash and Cash Equivalents</b>	<b>1,508,144</b>	<b>1,663,721</b>
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash Provided by Operating Activities:</b>		
Operating income	1,748,491	1,665,994
<b>Adjustments to reconcile:</b>		
Depreciation	666,213	565,256
(Increase) decrease in accounts receivable	(2,559)	2,696
(Increase) decrease in prepaid expenses and deposits	(518)	6,945
Increase (decrease) in accounts payable	(52,748)	8,527
Increase (decrease) in tenant deposits	14,810	19,975
Increase (decrease) in prepaid rent	(14,114)	10,384
Interest expense	(651,774)	(678,090)
Interest income	11,346	13,121
Trustee fees	(5,357)	(5,300)
<b>Total Adjustments</b>	<b>(34,701)</b>	<b>(56,486)</b>
<b>Net Cash Provided By Operating Activities</b>	<b>1,713,790</b>	<b>1,609,508</b>

The accompanying notes are an integral part of these financial statements.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2016**  
**Notes to the Financial Statements**

**1. Organization**

EagleBend Affordable Housing Corporation, (“EagleBend”), was organized on October 23, 1990, as a non-profit corporation to provide affordable housing in Eagle County, Colorado. The formation of EagleBend was approved by the Town of Avon, Colorado, (the “Town”). EagleBend operates exclusively on behalf of and for the benefit for the Town to provide for the acquisition, operations and payment of debt service of the housing project within the Town boundaries. The housing project consists of 294 apartments.

The Town will obtain full legal title to the land, apartment complex and equipment upon payment in full of the bonds issued by EagleBend. The Town approved the formation of EagleBend and has approved the issuance of the revenue bonds to finance the apartment project. The Town is not obligated to pay the debt of EagleBend. EagleBend will cease to own the apartment complex at the date of the last payment of principal of the Revenue Refunding Bonds issued to finance the apartment complex, which is July 1, 2021, subject to refinancing of the Revenue Refunding Bonds Series 2006 or the Town exercising its option to redeem the outstanding revenue refunding bonds.

**2. Summary of Significant Accounting Policies**

**A. Reporting Entity**

EagleBend was formed under the laws of the State of Colorado and operates under an appointed Board of Directors. As required by GAAP, the financial statements of the reporting entity include those of EagleBend. No additional separate governmental units, agencies or non-profit corporations are included in the financial statements of EagleBend since none were discovered to fall within the oversight responsibility based upon the application of the following criteria: financial accountability, appointing of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. EagleBend does not exercise oversight responsibility over any other entity, nor is it a component unit of any other governmental entity.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

The statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. The statements also distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of EagleBend is charges to tenants for rent.

Operating expenses include the maintenance, management, and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2016**  
**Notes to the Financial Statements**  
**(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

EagleBend uses a proprietary fund-type, an enterprise fund, to account for its activities, providing affordable housing to the residents of the project. Enterprise funds are used to account for operations (a) which are financed and operated in a manner where the intent is that the costs (expenses, including depreciation) of providing goods and services is financed or recovered primarily through user charges; or (b) where the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Cash Equivalents**

For the purposes of the Statement of Cash Flows, EagleBend defines cash equivalents as all cash, money market and savings accounts, plus all investments with original maturities of three months or less.

**D. Federal and State Income Tax**

EagleBend was formed in accordance with the Internal Revenue Ruling 63-20 which provides that a non-profit corporation may issue tax exempt bonds for low and moderate income rental housing, if it does so "on behalf of a governmental entity". EagleBend has complied with the provisions of Revenue Ruling 63-20 and therefore, is exempt from federal and state income tax.

**E. Fixed Assets**

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Land is reported at cost and is not subject to depreciation.

**F. Bond Costs**

The costs are being amortized over the respective term of the bonds, using the interest method. Unamortized bond issue costs for the years ended December 31, 2016 and 2015 was \$621,660 and \$754,873, respectively.

**G. Restricted Assets**

Certain assets of the fund are classified as restricted assets because their use is restricted by bond indentures.

**H. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2016**  
**Notes to the Financial Statements**  
**(Continued)**

**2. Summary of Significant Accounting Policies (Continued)**

**I. Net Assets**

EagleBend had a deficit in net assets of \$840,746 at December 31, 2015 of. As of December 31, 2016, EagleBend's net assets were \$162,210.

**J. Allowance for Uncollectible Accounts**

EagleBend uses the allowance method to recognize the potential uncollectibility of receivables. An allowance for uncollectible accounts was recorded at December 31, 2016 and 2015 of \$997 and \$20, respectively.

**K. Subsequent Events**

Management has evaluated subsequent events through February 24, 2017, the date these financial statements were available to be issued.

**3. 2006 Bonds Trust Indenture**

In 2006 the 1997 Bonds were fully refunded with the issuance of the 2006 bonds. The 2006 bonds are secured by a pledge of revenues from the Project and by an Indenture between EagleBend and the Trustee. Under the terms of the Indenture, all net project revenues are deposited with the Trustee for payment as follows:

- A. Revenue Account** - Monies collected and deposited into the depository accounts are swept into the Revenue Account after operations and maintenance transfers. On the 25<sup>th</sup> day of each month, excess funds are swept from the Revenue Account and distributed to the other accounts in accordance with the Trust Indenture Agreement. The priority of payments is as follows:
- B. Senior Bonds Fund** - In an amount equal to the monthly payments due on the Series 2006A and 2006B Revenue Refunding Bonds to be deposited in the Corporate Interest and Principal sub accounts.
- C. Financing Fee Fund** - A deposit equal to one-third of the quarterly financing fees for the letter of credit and an amount equal to one twelfth the annual Remarketing Agent Fee.
- D. Debt Service Reserve Account** - An amount equal to a required debt service reserve of the lesser of i) 10% of the outstanding principle of the 2006A&B Bonds, ii) the maximum annual debt service requirements of the Series 2006A&B bonds, or iii) 125% of the average annual debt service requirements of the Series 2006A&B bonds. A reserve of \$370,450 was established for the 2006 A&B Bonds.
- E. Unpaid Management Fee Account** - An amount equal to any unpaid management fees.
- F. Property Insurance Award Account** - An amount equal to the necessary amount to restore the building to its original condition after a catastrophic event.
- G. Replacement Reserve Account** - An amount equal to \$6,125 per month beginning January 1, 2007, until the Replacement Reserve equals \$300,000. The fund is to be used to replace major components of the project.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2016**  
**Notes to the Financial Statements**  
**(Continued)**

**3. 2006 Bonds Trust Indenture (Continued)**

- H. Subordinate Obligations Fund** - Any remaining amount thereafter can be used for the monthly payment of any obligations relating to the 2006C Subordinate Revenue Refunding Bonds.
- I. Surplus Account** - Any remaining amount thereafter which can be used to cure any deficits in the above accounts or thereafter, for any other lawful purpose.

Additionally, the Indenture provides for other requirements regarding operations, budgeting, insurance, and management.

**4. Cash in Bank and Investments**

EagleBend's deposits held with financial institutions at December 31, 2016 are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per depositor at each FDIC-member institution. At December 31, 2016, the Corporation's uninsured balances totaled \$1,034,536.

EagleBend's restricted cash and investments at December 31, 2016 and 2015 consist of investments held by a Trustee. The unrestricted deposits consist of cash held in banks. The cash and investments held by banks and with the Trustee are reported in the accompanying Statement of Financial Position at market value, which at December 31, 2016 and 2015 equaled their respective costs. The cash and investments as of December 31, 2016 and 2015 are summarized below:

	<b>Cash with Banks and Trustee</b>	
	<b>2016</b>	<b>2015</b>
<b>Unrestricted Cash:</b>		
Cash in bank - Operating	746,990	971,284
Total Unrestricted Cash	746,990	971,284
<b>Restricted Cash:</b>		
Tenant Security Deposits	46,311	46,301
<b>Held by Trustee for 2006 Bonds:</b>		
Senior Bonds Fund - Principal	450,239	430,070
Senior Bonds Fund - Interest	39,217	42,050
Financing Fee Fund	24,670	29,218
Remarketing Agent Account	8,893	10,241
Debt Service Reserve Account	17,934	11,534
Replacement Reserve Account	99,531	95,766
Subordinate Obligations Fund - Series 2006C	8,505	8,502
Tax and Insurance Account	4,652	4,651
Surplus Account	61,203	14,104
Total Restricted Cash - Held by Trustee	714,843	646,136
Total Restricted Cash	761,154	692,437
<b>Total Cash</b>	<b>1,508,144</b>	<b>1,663,721</b>

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2016**  
**Notes to the Financial Statements**  
**(Continued)**

**4. Cash in Bank and Investments (Continued)**

At December 31, 2016, EagleBend's investments consisted of the following:

	<b>S&amp;P Rating</b>	<b>Carrying Amount</b>	<b>Maturities</b>	
			<b>Within One Year</b>	<b>One Year To Five Years</b>
US Government Issues	AA+	580,512	-	580,512

**5. Property and Equipment**

A schedule of property and equipment follows:

	<b>December 31</b>		<b>Estimated Useful Life</b>
	<b>2016</b>	<b>2015 (Restated)</b>	
Land	2,678,512	2,678,512	
Buildings	18,102,126	18,049,502	40 years
Equipment	201,083	186,096	5 - 7 years
<b>Total</b>	<u>20,981,721</u>	<u>20,914,110</u>	
Accumulated depreciation	(11,709,562)	(11,995,107)	
<b>Total Net Book Value</b>	<u><u>9,272,159</u></u>	<u><u>8,919,003</u></u>	

**6. Restatement**

EagleBend changed their capitalization policy to capitalize and depreciate reserve expenses incurred that are of a re-occurring nature. As a result, the 2015 comparative balance for the capital assets has been increased by \$579,062; replacement expenses have been reduced by \$676,620, depreciation expense has been increased by \$97,558; and EagleBend's net assets have been increased by \$676,620.

**7. Long-term Debt**

**A. Multi-family Housing Project Revenue Refunding Bonds Series 2006 A and B and Series C Subordinate Bonds**

EagleBend issued \$18,495,000 of Multifamily Housing Project Revenue Refunding Bonds Series 2006A, Series 2006B and Series C Subordinate Multifamily Housing Project Bonds, dated August 30, 2006. The proceeds of the Revenue Refunding Bonds and certain other Series 1997 Revenue Bond escrowed reserves were used to refinance all the outstanding Revenue Bonds, and to fund certain escrow resources. At December 31, 2006, all prior bonds were defeased or redeemed. A portion of the proceeds of the 2006 Revenue Refunding Bonds were placed in irrevocable trusts which will be used through July 2021 to redeem the outstanding 1997 Series A & B Revenue Bonds and therefore the defeased bonds and the related trust assets are not presented in the accompanying financial statements. The refunding of the 1997 Revenue Bonds resulted in an approximate net present value savings of \$2,210,695.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2016**  
**Notes to the Financial Statements**  
**(Continued)**

**7. Long-term Debt (Continued)**

**A. Multi-family Housing Project Revenue Refunding Bonds Series 2006 A and B and Series C Subordinated Bonds (Continued)**

The Bonds are special limited obligations of EagleBend and are payable solely from revenues, assets, reserve funds and other values pledged under the terms of the Trust Indenture. The Bonds do not constitute an obligation or liability of the State of Colorado, the Town of Avon or any other political subdivision of the State. EagleBend has no taxing power nor does it have the power to pledge the general credit or taxing power of the Town of Avon, the State of Colorado or any other political subdivision of the State of Colorado.

**1. \$16,645,000 Multifamily Housing Project Revenue Refunding Bonds Series 2006A Taxable Convertible Variable Rate Bonds**

The Bonds were issued as taxable bonds to be converted to tax exempt bonds on April 3, 2007. The Bonds were issued as variable rate bonds at a rate to be determined by the Remarketing Agent at a weekly or daily rate of interest, the interest is to be paid monthly. EagleBend has obtained interest swap agreements which have set the interest rate currently at 5.495% through April 2, 2007, and then at an interest rate of approximately 4% through the maturity date of the bonds of July, 2021. The interest rate swap is subject to interest rate risk in the event of the taxability of the tax exempt bonds is changed or there is a material increase in the interest rate. The Bonds are secured by an irrevocable letter of credit; the letter of credit issuer has a lien on the assets of EagleBend. The Bonds are subject to remarketing under certain conditions, including the bondholder's right to redeem their bonds upon seven days notice to the Trustee.

The Bonds are subject to a balloon payment of \$7,345,000 in July 2021. In the event accumulated funds are not available to meet the balloon payment when due, it is the intent of EagleBend to refinance the unfunded portion of these bonds.

**2. \$1,650,000 Taxable Variable Rate Multifamily Housing Project Revenue Bonds 2006B**

EagleBend issued \$1,650,000 of Multifamily Housing Project Housing Bonds. The Bonds were issued as variable rate bonds at the rate to be determined by the Remarketing Agent at a weekly or daily rate of interest, the interest is to be paid monthly. EagleBend has obtained a Swap Agreement which has set the interest rate at 5.35% through maturity. The bonds were paid off in January 2010.

**3. \$200,000 Subordinate Multifamily Housing Project Revenue Refunding Bonds**

The Bonds were issued as tax exempt bonds to refund the unredeemed portion of the Series 1997C Subordinate Revenue Bonds. The Bonds were issued at an interest rate of 8.5% with the principal due at the maturity date in July 2021. The Subordinate Revenue Refunding Bonds are subject to the same revenue sources and restrictions as the Revenue Refunding Bonds Series 2006A & B.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2016**  
**Notes to the Financial Statements**  
**(Continued)**

**7. Long-term Debt (Continued)**

**B. Long-term Debt Schedule – Bonds**

The following is a schedule of long-term maturities for the Series 2006 Revenue Refunding Bonds:

<u>Years</u>	<u>Series A Principal Payment(s)</u>	<u>Series A Interest Payment(s)</u>	<u>Series C Principal Payment(s)</u>	<u>Series C Interest Payment(s)</u>	<u>Total</u>
2017	890,000	451,133	-	17,000	1,358,133
2018	940,000	412,098	-	17,000	1,369,098
2019	995,000	369,656	-	17,000	1,381,656
2020	1,045,000	328,847	-	17,000	1,390,847
2021	7,895,000	172,499	200,000	17,000	8,284,499
	<u>\$ 11,765,000</u>	<u>1,734,233</u>	<u>200,000</u>	<u>85,000</u>	<u>13,784,233</u>
	(621,660)	Less: Unamortized deferred financing costs			(621,660)
	<u><u>\$ 11,143,340</u></u>				<u><u>13,162,573</u></u>

**C. Town of Avon, Colorado**

EagleBend has covenanted and agreed that all activities of EagleBend shall be undertaken for the benefit of the Town. Upon termination of the Trust Indenture, the Town shall be entitled to acquire title to the assets of EagleBend without cost. The Town also has a right at any time to obtain title to the assets of EagleBend by defeasing all outstanding bonds and other obligations of EagleBend, or in the event of a foreclosure action by the bondholders, the Town is granted an exclusive option to purchase the property for the amount of the outstanding indebtedness of EagleBend.

**8. Risk Management**

EagleBend is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in an insurance coverage from coverage in the prior year.

**9. Related Parties**

A member of the Board of Directors of EagleBend is also a holder of subordinate bonds. A board member, Gerald E. Flynn is the managing partner of Polar Star Properties LLC (“PSP”) (see note 11) and Polar Star Development, LLC (“PSD”). Another board member is in a managerial position of Inter-Mountain Engineering (“IME”) (see Note 10).

**10. Other Related Party Transactions**

In 2016, EagleBend paid IME \$85,715 for engineering services related to EagleBend’s re-siding, lift station, and asphalt improvement projects.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2016**  
**Notes to the Financial Statements**  
**(Continued)**

**11. EagleBend Management**

The management of EagleBend is primarily accomplished through a Board of Directors which oversees administration, operations and maintenance functions.

EagleBend has entered into a management agreement with PSP effective June 1, 2006, that is renewable annually. The agreement was amended on January 1, 2015. The management fees paid to PSP for the year ended December 31, 2016 were \$171,663. The amended agreement allows for a management fee of \$8,000 per month plus a variable fee of 2.25% of the total project revenues, with a total fee not to exceed 4.5% of gross collected income.

During the year ended December 31, 2016, the following amounts were paid to PSP in respect of services provided to EagleBend:

	<b>2016</b>	<b>2015</b>
Maintenance wages	\$ 254,147	\$ 293,563
Administrative wages	113,219	149,756
Employee benefits	128,463	147,652
Vehicle maintenance	45,840	42,320
Software	18,000	18,000
Office expense	352	-
Consulting	1,165	13,000
Insurance	9,096	9,123
Miscellaneous	175	352
	<u>\$ 570,457</u>	<u>\$ 673,766</u>

At December 31, 2016, EagleBend owed PSP \$4,071.

**12. Notes Receivable**

**A. EagleBend Dowd Affordable Housing Corporation (“Dowd”)**

**1. \$300,000 Advance**

EagleBend had advanced Dowd \$571,572 prior to December 31, 2003, under an Operating Deficit Agreement. The Operating Deficit Agreement was terminated in 2003 coincident with the refunding of certain of Dowd’s bonds. At that time, EagleBend agreed to forgive \$271,572 of the balance outstanding at the time of \$571,572 and classify it as a contribution to Dowd. There are no specific repayment terms for the remaining balance outstanding at December 31, 2016 and 2015 of \$300,000.

**2. \$50,000 Advance**

EagleBend advanced \$50,000 to Dowd in August 2011 to provide funding for certain building renovations. The note is due on or before December 1, 2018, with interest of 6.00% payable annually. The interest on the note will compound annually commencing December 1, 2012. The balance outstanding at December 31, 2016 and 2015 is \$50,000.

**EagleBend Affordable Housing Corporation**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2016**  
**Notes to the Financial Statements**  
**(Continued)**

**12. Notes Receivable (Continued)**

**A. EagleBend Dowd Affordable Housing Corporation (“Dowd”) (Continued)**

**3. \$80,000 Advance**

EagleBend advanced \$80,000 to Dowd in May 2012 to provide funding for a project related to real property. The note is due on or before December 1, 2018, with interest of 6.00% payable annually. The interest on the note will compound annually commencing December 1, 2012. The balance of the note at December 31, 2016 and 2015 is \$80,000.

**B. Buffalo Ridge Affordable Housing Corporation (“Buffalo Ridge”) - Surplus Cash Note, \$221,500**

EagleBend entered into a surplus cash note with Buffalo Ridge on August 1, 2013, in the amount of \$221,500. The note bears interest at 10% per annum payable annually commencing May 1, 2014. The note will mature on December 31, 2043. No payments shall be made on this note until the indebtedness in the amount of \$605,018 owed to Corum Real Estate Group, Inc. by Buffalo Ridge, is satisfied in full. The principal and interest are payable from non-project revenues and/or surplus cash as defined by HUD.

The balance of the note at December 31, 2016 was \$221,500. Interest began accruing in 2013 and the total interest accrued as of December 31, 2016 was \$74,036.

**13. Comparative Information**

Certain amounts in 2015 have been reclassified to conform to the 2016 presentation.

**14. Assignment of Deposit Account**

EagleBend assigned and granted a security interest in a bank account to FirstBank in order to secure payment and performance of the Series 2014A Bonds purchased by FirstBank from EagleBend Dowd Affordable Housing Corporation. FirstBank’s claim to the deposit account was ahead of the claims of any other creditor. FirstBank might have withdrawn all or any part of the deposit account to be applied to reasonable expenses, attorney’s fees and legal expenses, and any secured debts owed by EagleBend Dowd, so long as written notice is given ten days in advance. This agreement remained in effect until Dowd’s Series 2014A Bonds were paid down to an amount where this secondary collateral was no longer required. As of November 1, 2016, \$321,177 in payments were cumulated by EagleBend Dowd on the bonds, which fulfilled the reserve release covenant. At such time, FirstBank released the pledge on the EagleBend account.