

**GREATER FOX CITIES AREA HABITAT FOR
HUMANITY, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Fox Cities Area Habitat for Humanity, Inc.
Menasha, Wisconsin

We have audited the accompanying financial statements of Greater Fox Cities Area Habitat for Humanity, Inc. (the Organization) (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Fox Cities Area Habitat for Humanity, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated October 24, 2018 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented as of and for the year ended June 30, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Appleton, Wisconsin
October 23, 2019

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF FINANCIAL POSITION
 June 30, 2019
 With Comparative Information as of June 30, 2018

ASSETS	<u>2019</u>	<u>2018</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 917,877	\$ 1,044,376
Certificates of deposit	562,136	554,798
Other receivables	11,976	7,602
Contributions and grants receivable, current portion:		
HFHI grants receivable	43,583	193,058
Other	306,555	208,532
Mortgage loans receivable, current portion	308,000	325,000
Prepaid expenses	24,560	35,420
Inventories:		
Materials	375,824	412,862
Home construction, rehabilitation, and repairs in process	1,160,717	884,035
Property held for development/rehabilitation, current portion	477,503	526,401
Beneficial interest in assets held by Community Foundation, current portion	<u>786,316</u>	<u>-</u>
Total current assets	<u>4,975,047</u>	<u>4,192,084</u>
Property and equipment, net	<u>3,449,508</u>	<u>3,536,161</u>
<u>Other assets</u>		
Contributions and grants receivable, less current portion	79,433	90,773
Property held for development/rehabilitation, less current portion	711,433	639,329
Restricted cash	35,844	47,793
Investment in joint venture	1,134,115	1,134,115
Investment in partnership	48,950	48,950
Beneficial interest in assets held by Community Foundation, less current portion	2,613,237	2,835,592
Mortgage loans receivable, less current portion	1,639,329	1,776,080
Rental properties, net	<u>558,415</u>	<u>483,689</u>
Total other assets	<u>6,820,756</u>	<u>7,056,321</u>
Total assets	<u>\$15,245,311</u>	<u>\$14,784,566</u>

See notes to financial statements.

LIABILITIES AND NET ASSETS	<u>2019</u>	<u>2018</u>
<u>Current liabilities</u>		
Notes payable, current maturities	\$ 248,566	\$ 598,637
Accounts payable	150,560	123,034
Accrued payroll	42,831	43,162
Mortgage escrows	291,656	305,978
Funds held for others	17,548	36,235
Other current liabilities	<u>80,401</u>	<u>53,520</u>
Total current liabilities	831,562	1,160,566
Notes payable, less current maturities	<u>4,705,743</u>	<u>4,623,815</u>
Total liabilities	<u>5,537,305</u>	<u>5,784,381</u>
<u>Net assets</u>		
Without donor restrictions	8,314,377	7,802,273
With donor restrictions	<u>1,393,629</u>	<u>1,197,912</u>
Total net assets	<u>9,708,006</u>	<u>9,000,185</u>
Total liabilities and net assets	<u>\$15,245,311</u>	<u>\$ 14,784,566</u>

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

With Summarized Comparative Information for the Year Ended June 30, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>	
			<u>2019</u>	<u>2018</u>
<u>Support and other revenue</u>				
Contributions	\$ 1,228,640	\$ 810,820	\$ 2,039,460	\$ 1,488,486
Grants	1,741	201,297	203,038	525,764
ReStore in-kind contributions	1,021,393	-	1,021,393	1,137,009
Other in-kind contributions	216,827	-	216,827	480,700
Sales to homebuyers	1,832,631	-	1,832,631	2,115,410
Owner-occupied home repair services	290,727	-	290,727	209,409
Mortgage loans discount amortization	163,832	-	163,832	178,636
ReStore sales	1,567,714	-	1,567,714	1,258,017
Return on beneficial interest on assets held by Community Foundation	123,272	-	123,272	48,347
Investment and interest income	35,705	-	35,705	33,356
Gain on sale of mortgage loans receivable	990,284	-	990,284	955,307
Gain on second mortgages	69,648	-	69,648	89,122
Rent income	57,474	-	57,474	41,628
Other income	8,571	-	8,571	13,024
Net assets released from restrictions	<u>816,400</u>	<u>(816,400)</u>	<u>-</u>	<u>-</u>
 Total support and other revenue	 <u>8,424,859</u>	 <u>195,717</u>	 <u>8,620,576</u>	 <u>8,574,215</u>
 <u>Expenses</u>				
Program services - Housing	4,704,319	-	4,704,319	5,112,706
Program services - ReStore	2,592,992	-	2,592,992	2,200,670
Management and general	389,119	-	389,119	374,374
Fundraising	<u>226,325</u>	<u>-</u>	<u>226,325</u>	<u>246,356</u>
 Total expenses	 <u>7,912,755</u>	 <u>-</u>	 <u>7,912,755</u>	 <u>7,934,106</u>
 Loss on returned grant	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>40,926</u>
 Total expenses and loss	 <u>7,912,755</u>	 <u>-</u>	 <u>7,912,755</u>	 <u>7,975,032</u>
 Change in net assets	 <u>512,104</u>	 <u>195,717</u>	 <u>707,821</u>	 <u>599,183</u>
 <u>Net assets</u>				
Beginning of year	<u>7,802,273</u>	<u>1,197,912</u>	<u>9,000,185</u>	<u>8,401,002</u>
 End of year	 <u>\$ 8,314,377</u>	<u>\$ 1,393,629</u>	<u>\$ 9,708,006</u>	<u>\$ 9,000,185</u>

See notes to financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

With Summarized Comparative Information for the Year Ended June 30, 2018

	Program	Program	Management	Fund-	Totals	
	Services - Housing	Services - ReStore	and General		raising	2019
Salaries and wages	\$ 649,286	\$ 494,247	\$ 225,371	\$ 113,595	\$ 1,482,499	\$ 1,365,194
Employee benefits and payroll taxes	189,181	166,188	58,614	24,562	438,545	399,550
Cost of sales to homebuyers	2,068,684	-	-	-	2,068,684	2,550,139
Cost of owner-occupied home repair services	286,234	-	-	-	286,234	183,619
Mortgage loans discount	1,012,182	-	-	-	1,012,182	1,118,549
Cost of purchased goods sold	-	244,176	-	-	244,176	172,091
Value of donated goods sold	-	1,105,954	-	-	1,105,954	940,691
Professional fees	7,500	12,538	60,592	525	81,155	97,706
Office and technology	36,947	41,741	10,036	6,688	95,412	105,484
Occupancy	37,496	236,077	10,000	3,425	286,998	267,454
Insurance	22,528	15,870	2,439	500	41,337	47,269
Property tax	15,636	26,368	-	-	42,004	30,974
Equipment costs	16,441	18,312	724	1,817	37,294	28,837
Printing	15,834	10,480	3,414	7,639	37,367	42,209
Advertising	6,382	-	5,507	47,873	59,762	35,862
Fuel and travel	40,780	19,903	2,875	3,147	66,705	63,840
Conference and convention	11,004	8,009	2,375	1,636	23,024	23,844
Tithe and fees to HFHI	73,084	-	-	-	73,084	75,092
Interest	57,922	61,053	2,389	-	121,364	90,166
Depreciation	79,403	76,046	2,936	2,859	161,244	121,998
Other	77,795	56,030	1,847	12,059	147,731	173,538
Total functional expenses	<u>\$4,704,319</u>	<u>\$2,592,992</u>	<u>\$ 389,119</u>	<u>\$226,325</u>	<u>\$7,912,755</u>	<u>\$7,934,106</u>

See notes to financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

With Comparative Information for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Operating activities</u>		
Change in net assets	\$ 707,821	\$ 599,183
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	161,244	121,998
Change in present value discount on contributions and grants receivable	(519)	(4,862)
Return on beneficial interest in assets held by Community Foundation	(123,272)	(48,347)
Discount on mortgage loans receivable	1,012,182	1,118,549
Amortization of mortgage loans discount	(163,832)	(178,636)
Discount on notes payable	(4,152)	(4,272)
Amortization of notes payable discount and debt issuance costs	12,902	15,541
Non-cash sales to homebuyers	(1,660,712)	(1,930,542)
Non-cash owner-occupied home repairs services	(213,429)	(123,429)
Non-cash contribution of property and equipment	-	(196,544)
Non-cash contribution of property held for development/rehabilitation	(20,000)	(50,000)
Non-cash contribution of rental properties	(7,835)	(11,691)
Gain on sale of mortgage loans receivable	(990,284)	(955,307)
Gain on second mortgages	(69,648)	(89,122)
Loss on returned grant	-	40,926
Decrease (increase) in:		
Other receivables	(4,374)	(3,449)
Contributions and grants receivable	63,311	14,721
Prepaid expenses	10,860	(1,172)
Inventories	(297,064)	(68,778)
Increase (decrease) in:		
Accounts payable	27,526	10,933
Accrued payroll	(331)	9,159
Mortgage escrows	(14,322)	1,747
Funds held for others	(18,687)	8,678
Other current liabilities	<u>26,881</u>	<u>8,573</u>
Net cash used for operating activities	<u>(1,565,734)</u>	<u>(1,716,143)</u>

See notes to financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2019

With Comparative Information for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Investing activities</u>		
Purchases of certificates of deposit	\$ (211,103)	\$ (404,782)
Proceeds from maturities of certificates of deposit	203,765	152,950
Purchase of property and equipment	(53,344)	(151,186)
Purchase of beneficial interest in assets held by Community Foundation	(440,689)	(1,999,607)
Distribution from beneficial interest in assets held by Community Foundation	-	1,500,000
Proceeds from sale of mortgage loans receivable	1,808,590	1,699,607
Collections received on mortgage loans receivable	361,236	442,690
Collections on second mortgages	69,648	89,122
Purchase of rental properties	<u>(33,924)</u>	<u>(52,837)</u>
Net cash provided by investing activities	<u>1,704,179</u>	<u>1,275,957</u>
<u>Financing activities</u>		
Proceeds from notes payable	49,825	64,338
Payments on notes payable	<u>(326,718)</u>	<u>(297,919)</u>
Net cash used for financing activities	<u>(276,893)</u>	<u>(233,581)</u>
<u>Cash, cash equivalents, and restricted cash</u>		
Net decrease	(138,448)	(673,767)
Beginning of year	<u>1,092,169</u>	<u>1,765,936</u>
End of year	<u>\$ 953,721</u>	<u>\$ 1,092,169</u>
<u>Supplemental cash flow information</u>		
Cash paid for interest	\$ 108,462	\$ 74,625
<u>Non-cash investing and financing activities</u>		
Sales to homebuyers for which mortgage loans receivable were obtained	\$ 1,660,712	\$ 1,930,542
Owner-occupied home repairs services for which mortgage loans receivable were obtained	\$ 213,429	\$ 123,429
Contribution of property and equipment	\$ -	\$ 196,544
Purchase property and equipment with note payable	\$ -	\$ 2,114,940
Contribution of rental properties	\$ 7,835	\$ 11,691
Transfer of property held for development/rehabilitation to rental properties	\$ 54,214	\$ 130,977

See notes to financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1 - Nature of activities and significant accounting policies

A. Nature of activities

Greater Fox Cities Area Habitat for Humanity, Inc. (Organization) is a charitable organization located in Menasha, Wisconsin that is an affiliate of Habitat for Humanity International, Inc. (HFHI). The Organization is a non-denominational Christian not-for-profit organization whose purpose is to create safe, decent and affordable housing in partnership with those in need. This is achieved through a wide range of affordable housing solutions.

Although HFHI assists with information resources, the Organization is primarily and directly responsible for its own operations. Such operations are conducted within the Fox Cities area and include: the Homebuyer, Home Repair, Almost Home, Rental and Neighborhood Revitalization programs. In addition, the Organization operates two Habitat ReStore retail outlets.

Homebuyer program - Through the Homebuyer program, the Organization constructs new or rehabilitates existing homes and sells those homes to low-income families who pay for the homes through no-interest mortgages. Prospective homebuyers must demonstrate a need for safe, decent and affordable housing, be able and willing to pay for an affordable mortgage, and be willing to partner with the Organization by investing "sweat equity" into their home. In addition to working side-by-side with volunteers through the construction of their homes, partner families complete courses in financial literacy, home maintenance, how to be a good neighbor, and a wide range of other courses to set them up to be successful homeowners.

Home Repair program - In collaboration with Rebuilding Together, the Home Repair program provides easy access to home repair services for low income homeowners through a single point of entry into services from both organizations. The Home Repair program provides critical home repairs so that existing homeowners can live in a safe, healthy and affordable home.

Almost Home program - The Almost Home program provides case management and holistic support for families working toward home ownership and Habitat homeowners at risk of becoming delinquent on their mortgages. Individual and family needs are assessed to establish financial, vocational, educational and other goals. Almost Home helps participants monitor their progress and guides them to resources to help them meet their goals.

Rental program - The Rental program creates a unique, temporary housing solution for families in the Almost Home program. The Organization purchases blighted properties and rehabilitates them into safe, decent and affordable rental properties. Almost Home program participants who are currently living in sub-standard housing temporarily rent from the Organization while working on their goals toward home ownership.

Neighborhood Revitalization program - The Neighborhood Revitalization program provides exterior home repairs for low income homeowners. Rock the Block® is a multi-day event that kicks off the Organization's Neighborhood Revitalization efforts in a targeted neighborhood. The Organization brings together residents, municipalities and community partners to complete exterior home repairs for low income homeowners and community projects to improve and beautify the neighborhood surrounding the homes.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

A. Nature of activities, continued

Habitat ReStore - Habitat for Humanity ReStores are nonprofit home improvement stores and donation centers that sell new and donated furniture, appliances, home accessories, building materials and more to the public at a fraction of the retail price. Proudly owned and operated by the Organization, Habitat ReStores provide funding for the Organization's mission, offer affordable home improvement items to the general public, and divert waste from landfills.

Global Homebuilding - Habitat for Humanity's vision is a world where everyone has a decent place to live. By tithing 10% of all contributions without donor restrictions to Habitat's Global Homebuilding program, the Organization partners with developing countries to provide financial and volunteer resources desperately needed to improve their housing conditions (see Note 17).

The Organization is supported primarily through contributions, grants, sales from ReStore, homeowner mortgage payments and home repair loan payments.

B. Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

C. Basis of presentation

The Organization is required to report information regarding its financial position and its activities in the following two classes of net assets:

Net assets without donor restrictions - net assets available for use in general operations and not restricted by donor-imposed stipulations.

Net assets with donor restrictions - net assets that result from contributions whose use by the Organization is limited by donor-imposed stipulations. Some are temporary in nature and can either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Other donor-imposed stipulations are perpetual in nature and cannot expire by passage of time nor can be fulfilled and removed by actions of the Organization. The Organization had no restrictions that were perpetual in nature at June 30, 2019.

D. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

E. Cash equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

F. Contributions and grants receivable

Unconditional promises to give are recognized as revenue and as assets in the period the promise is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

G. Inventories

Materials

Materials inventory includes construction materials and ReStore inventory. Construction materials consists of home building materials used in construction of the Organization's homes, substantially all of which are donated, and are recorded at fair value at the time of donation. At the end of its fiscal year, the Organization estimates the value of construction materials determined by the first-in, first-out method. ReStore inventory includes items purchased by and donated to ReStore. At the end of its fiscal year, the Organization estimates the value of donated ReStore goods on hand based on the estimated retail value. Inventory purchased by ReStore is stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Home construction, rehabilitation, and repairs in process

Costs incurred in conjunction with home construction and home rehabilitation are recorded as assets until the sale of the home. Costs incurred in conjunction with home repair services are recorded as assets until the project is complete.

Property held for development/rehabilitation

Property held for development/rehabilitation consists of purchased or donated land that will be developed for future home construction, properties acquired for rehabilitation to be sold to new homeowners, and homes that have been re-acquired from previous homeowners that will be sold on the open market. Properties are valued at the lower of cost or market.

H. Property and equipment and depreciation

All acquisitions and improvements of property and equipment in excess of \$2,500 are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

I. Restricted cash

Restricted cash consists of cash restricted for future professional fees related to the investment in joint venture. The breakdown of total cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amount shown in the statement of cash flows at June 30, 2019 consists of the following:

Cash and cash equivalents	\$ 917,877
Restricted cash	<u>35,844</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 953,721</u>

J. Investment in joint venture

The Organization, along with eleven other Habitat affiliates, invested in a joint venture (HFHI NMTC Leverage Lender 2013-1, LLC) to take advantage of New Markets Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. For a 7.35% ownership share of the joint venture, the Organization invested \$1,134,115, which was financed with a loan payable to a community development entity (HFHI NMTC Sub-CDE I, LLC, an affiliate of the joint venture) (see Note 12). The Organization carries its investment in joint venture at the lower of cost or market value.

K. Investment in partnership

The Organization's investment in partnership consists of a minor interest in a limited partnership. The Organization carries its investment in the limited partnership at the lower of the fair value as of the date the investment was donated to the Organization (cost) or market value. The Organization's risk of loss is limited to the carrying amount of the investment. There is not a public market for this investment. Because the investment in the limited partnership is not readily marketable, its estimated value is subject to uncertainty and, therefore may differ from the value that would have been used had a ready market for such investment been available.

L. Mortgage loans receivable

Mortgage loans receivable consists of loans secured by real estate located in the Fox Cities area of Wisconsin. The loan terms typically include maturities of 12-360 months and are non-interest bearing. Since the mortgage loans are non-interest bearing, they are discounted using a rate determined annually by HFHI, which is based on a national rate for a home purchaser with a credit risk similar to the homeowners qualified to purchase a home from the Organization. Once the rate is determined, it is not revised for any market changes.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

L. Mortgage loans receivable, continued

For the Homebuyer program, the Organization sells homes at the appraised value determined by an independent third party appraisal company. At the time of the home sale, the Organization obtains a first mortgage for each home. The length of the loan is determined by the income of the family with a range of 240-360 months. Monthly mortgage payment amounts (including escrow for taxes and insurance) are set based on 25% of the family's gross monthly income. Based on that calculation, if a family is not able to pay off the full loan amount in less than 30 years, then the Organization issues a 0% interest deferred second mortgage that represents the difference between the appraised value and the amount the family can afford to pay over 30 years. The second mortgage would become due if the homeowner sells, refinances, defaults, or the home is no longer their primary residence before a stipulated time period. The second mortgage is forgivable pro-rata over a 240 month period. If the second mortgage becomes due, it is collected after the first mortgage is satisfied, and after certain other liens are satisfied. Because the use of the second mortgage is unlikely and unknown, the Organization has not recorded a receivable for these second mortgages in the financial statements. The undiscounted value of the second mortgages not recorded in the financial statements totaled approximately \$4,060,000 at June 30, 2019. If a second mortgage becomes due, the Organization includes the proceeds in gain on second mortgages on the statement of activities at the time it is collected.

The mortgage loans for the Home Repair program are based on the Organization's costs to provide the labor, overhead, and materials to complete the home repair. No profit is charged on these projects. The loan terms range from 12-84 months based on the debt-to-income ratio for each family.

M. Funds held for others

Funds held for others represent grant receipts received on behalf of other charitable organizations. These funds are included in the Organization's cash accounts. These funds typically support activities that are not programs of the Organization, and are not under the control of the Organization. As such, the Organization has recorded a liability related to these funds and does not include the activity of these funds in its statement of activities.

N. Contribution recognition

Unconditional contributions are recognized as revenue when they are promised or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. If a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

N. Contribution recognition, continued

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The value of donated services capitalized in rental properties and included in in-kind contributions totaled \$7,835 during the year ended June 30, 2019. Many other volunteers provided services to the Organization throughout the year that have not been recognized as contributions in the financial statements because the recognition criteria were not met. The Organization estimates approximately 74,000 volunteer hours were contributed during the year ended June 30, 2019 that did not meet the recognition criteria.

O. Other revenue recognition

The Organization recognizes income from sales to homebuyers when title and risk transfer to the homebuyer. The Organization recognizes income from home repair services when the service is completed and mortgage documents are signed.

P. Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the year ended June 30, 2019, advertising costs totaled \$59,762.

Q. Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. These statements report expenses that are attributed to more than one program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Personnel costs, office and technology, occupancy, insurance, printing, fuel and travel, conference and convention, and depreciation are allocated on the basis of estimates of time and effort. Advertising is allocated on the basis of the advertising content.

R. Presentation of sales tax

The Organization collects sales tax from certain customers and remits the entire amount to the appropriate governmental entities. The Organization's accounting policy is to exclude the tax collected and remitted from revenues and expenses.

S. Income tax status

The Organization has received exemption from income taxes under Section 501(c) (3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International, Inc. by the Internal Revenue Service. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization is also exempt from Wisconsin income taxes.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

T. Summarized financial information

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

U. Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The adoption of ASU 2016-14 did not have a material impact on the Organization's financial statements.

V. Recent accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard supersedes all existing U.S. GAAP guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures. The FASB has issued several amendments to the original standard, which is effective for annual reporting periods beginning after December 15, 2018. Adoption is to be applied retrospectively. The Organization is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies when a transfer of cash or other assets received and made qualifies as a contribution or an exchange transaction and establishes criteria for determining whether the asset provider is receiving commensurate value in return for those assets. The ASU also provides guidance for determining whether a contribution is conditional. This standard is effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of ASU 2018-08 on the Organization's financial statements.

W. Subsequent events

The Organization has evaluated events and transactions for potential recognition of disclosure in the financial statements through October 23, 2019, the date on which the financial statements were available to be issued.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 2 - Liquidity and availability

As part of the Organization liquidity management, at times, the Organization enters into agreements for the sale of mortgage loans receivable. Proceeds from these sales are used to fund current operations with excess funds being invested for future operational needs. Continuous fundraising activities ensures an adequate cash balance throughout the year.

The Board of Directors has established two funds at the Community Foundation for the Fox Valley Region, Inc. (the Foundation) to help manage liquidity needs (see Note 8). The Board has set a policy of retaining one and a half to three months of operating expenses in the risk reserve fund invested in Fund I at the Foundation (see Note 13). Excess funds from sales of mortgage loans receivable are added to the remainder reserve invested in Fund II at the Foundation (see Note 13). The Organization takes distributions from these funds to cover anticipated cash needs. For the year ended June 30, 2020, the Organization estimates approximately \$790,000 of the remainder fund will be needed to fund the Organizations' current operations. If considered necessary, the Board could approve additional distributions from these funds. The Organization has only included the portion of the beneficial interest in assets held by Community Foundation that it plans to request next year in the financial assets available shown below.

For purposes of analyzing resources available to meet general expenditures within one year, the Organization considers all expenditures related to ongoing activities of providing housing to low-income families and ReStore operations as well as conduct of services undertaken to support those activities to be general expenditures. The Organization receives contributions and grants restricted by donors, and considers contributions and grants restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. At June 30, 2019, all of the restricted contributions received or receivable within one year were included in financial assets available to meet general expenditures within one year. The Board has set a policy to invest restricted contributions that will not be used within the next three months in certificates of deposit. In addition, the Organization has a \$1,000,000 line of credit (Note 11) which may be utilized if needed.

The Organization's financial assets available within one year of June 30, 2019 for general expenditures are as follows:

Cash and cash equivalents	\$ 917,877
Certificates of deposit	562,136
Other receivables	11,976
Contributions and grants receivable, current portion	350,138
Mortgage loans receivable, current portion	308,000
Beneficial interest in assets held by Community Foundation, current portion	<u>786,316</u>
	<u>\$2,936,443</u>

Note 3 - Concentration of credit risk

The Organization maintains its cash balances at several banks and credit unions in the Fox Cities area. Aggregate deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund up to \$250,000 per insured depository institution. The Organization's cash deposits may exceed these insured limits at times during the year. The Organization has not experienced any losses on these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 4 - Certificates of deposit

The Organization holds certificates of deposit totaling \$562,136 at June 30, 2019. The certificates bear interest rates ranging from 1.19% - 2.90% and have maturities of fifteen to nineteen months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Note 5 - Contributions and grants receivable

Unconditional contributions and grants receivable at June 30, 2019 consist of the following:

Receivable in less than one year	\$ 350,138
Receivable in one to five years	<u>82,249</u>
Total contributions and grants receivable	432,387
Less discount at rate of 3%	<u>(2,816)</u>
Present value of contributions and grants receivable	<u>\$429,571</u>

The Organization considers all of the contributions and grants receivable at June 30, 2019 to be fully collectible; accordingly, no allowance for uncollectible contributions has been established.

At June 30, 2019, the Organization also had conditional promises to give of approximately \$58,000. The promises to give contain conditions such as providing occupancy to the homebuyer by a specific date, and successful review, evaluation, and approval of progress by the donor, and will be included in the financial statements in future years when the conditions are met.

Note 6 - Inventories

Inventories at June 30, 2019 consist of the following:

Materials:	
ReStore inventory	\$ 269,618
Construction materials	<u>106,206</u>
Total materials	<u>\$ 375,824</u>
Home construction, rehabilitation, and repairs in process:	
Home construction and rehabilitation in process	\$ 1,110,992
Owner-occupied home repairs in process	<u>49,725</u>
Total home construction, rehabilitation, and repairs in process	<u>\$1,160,717</u>
Property held for home development/rehabilitation:	
Land for development	\$ 583,828
Homes for rehabilitation	<u>605,108</u>
Total property held for development/rehabilitation	<u>\$1,188,936</u>

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 7 - Property and equipment, net

Property and equipment consists of the following at June 30, 2019:

Land	\$ 754,236
Buildings and improvements	2,775,467
Office equipment	339,205
Trucks and trailers	<u>268,798</u>
	4,137,706
Less accumulated depreciation	<u>(688,198)</u>
	<u>\$ 3,449,508</u>

Depreciation expense on the above assets was \$139,997 for the year ended June 30, 2019.

Note 8 - Beneficial interest in assets held by Community Foundation

Beneficial interest in assets held by Community Foundation represents amounts held at the Community Foundation for the Fox Valley Region, Inc. (the Foundation). The Organization has two funds at the Foundation called the "Greater Fox Cities Area Habitat for Humanity Fund I" (the Fund I) and "Greater Fox Cities Area Habitat for Humanity Fund II" (the Fund II). These funds are legal assets of the Foundation with the restriction that the Foundation makes distributions to the Organization. The agreements governing the assets include a variance power allowing the Foundation to modify the restrictions on distributions from the funds.

The funds were established by the Board of Directors to support the mission of the Organization. Since the funds were created as a result of an internal designation and are not donor restricted, they are classified and reported as net assets without donor restrictions. Distributions from the funds may be made at the Organization's request.

The Organization works with the Foundation to maximize total return consistent with an acceptable level of risk. Fund I assets are invested to earn a sufficient long-term return with as little volatility as possible while preserving the purchasing power of the assets after withdrawals. Fund II assets are invested to balance mild liquidity needs with a reasonable level of expected appreciation over full market cycles.

Composition of and changes in the funds' net assets for the year ended June 30, 2019 were as follows:

Board-designated Fund I net assets, beginning of year	\$ 912,370
Net appreciation	<u>37,127</u>
Board-designated Fund I net assets, end of year	<u>\$ 949,497</u>
Board-designated Fund II net assets, beginning of year	\$ 1,923,222
Contributions	440,689
Net appreciation	<u>86,145</u>
Board-designated Fund II net assets, end of year	<u>\$ 2,450,056</u>

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 9 - Mortgage loans receivable

Mortgage loans receivable are recorded at the present value of future payments using a discount rate provided by HFHI. The Organization considers all of the mortgage loans receivable at June 30, 2019 to be fully collectible; accordingly, no allowance for uncollectible accounts has been established.

Mortgage loans receivable at June 30, 2019 are scheduled for collection as follows:

Year ending <u>June 30,</u>	
2020	\$ 308,000
2021	298,000
2022	279,000
2023	257,000
2024	239,000
Thereafter	<u>2,722,311</u>
Total mortgage loans receivable	4,103,311
Less discount at rates of 7.39% to 8.34%	<u>(2,155,982)</u>
Present value of mortgage loans receivable	1,947,329
Current portion	<u>308,000</u>
Mortgage loans receivable, less current portion	<u>\$ 1,639,329</u>

At times, the Organization will enter into agreements for the sale of mortgage loans receivable. During the year ended June 30, 2019, the Organization entered into loan sale agreements for certain mortgage loans receivable with two financial institutions. Under the agreements the Organization sold mortgage loans with recourse totaling \$1,808,590 at the face value of the loans. \$440,689 of the proceeds from the sales were used to fund board-designated net assets. At the time of the sales, the mortgage loans had unamortized discounts totaling \$990,284, resulting in a gain on sale of mortgage loans receivable.

The loan sale agreements contain clauses whereas for any sold mortgage loans receivable that become 90 days past due, the Organization must find a substitute mortgage loan receivable or repurchase the non-performing loan. The outstanding balance of mortgage loans receivable previously sold with repurchase clauses was approximately \$6,179,000 at June 30, 2019.

During the year ended June 30, 2019, the Organization was not required to substitute or repurchase any previously sold mortgage loans receivable. The Organization considers all of the mortgage loans receivable serviced at June 30, 2019 to be fully collectible; accordingly, no provision has been made for future losses that may result under the recourse arrangements.

The Organization continues to service previously sold mortgage loans receivable by collecting payments from homeowners on behalf of and remitting these payments to the purchasing financial institutions. Mortgage loans receivable serviced for others are not included in the accompanying statement of financial position. The unpaid principal balance of mortgage loans receivable serviced for others was approximately \$4,160,000 at June 30, 2019.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 9 - Mortgage loans receivable, continued

At June 30, 2019, the Organization had no mortgage loans receivable secured by a residential real estate property for which the Organization had begun formal foreclosure proceedings. At June 30, 2019, the Organization did not have possession of any foreclosed residential real estate property.

Note 10 - Rental properties, net

The Organization owns rental properties for use in the Almost Home program. Rental properties consist of the following at June 30, 2019:

Land	\$ 115,500
Rental houses	<u>482,531</u>
	598,031
Less accumulated depreciation	<u>(39,616)</u>
	<u>\$ 558,415</u>

Depreciation expense on the above assets was \$21,247 for the year ended June 30, 2019.

Note 11 - Line of credit

The Organization has a line of credit agreement with Nicolet National Bank with an available line of \$1,000,000 of which no amounts were outstanding at June 30, 2019. Interest is payable monthly at the prime rate (5.50% at June 30, 2019). Unpaid interest and principal are due April 27, 2020. The line is secured by mortgage loans receivable.

Note 12 - Notes payable

During the year ended June 30, 2019, the Organization received non-interest bearing notes from HFHI. These non-interest bearing notes were internally discounted using a rate of 3%. The discounts on these notes totaled \$4,152 and were included in in-kind contributions on the statement of activities. The discounts are amortized over the respective loan periods and are included in interest expense. During the year ended June 30, 2019, the Organization amortized \$9,561 of discounts related to these and other non-interest bearing notes.

Following is a summary of notes payable at June 30, 2019:

Habitat for Humanity International, Inc.:

Shop fund non-interest bearing notes due in varying monthly principal installments totaling approximately \$6,840, under repayment terms of 48 months, unsecured	\$ 200,691
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GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 12 - Notes payable, continued

Nicolet National Bank:

Note payable, non-interest bearing, secured by specific mortgage loans receivable with principal payments due monthly based on scheduled principal payments of the underlying mortgage loans receivable (\$1,869 at June 30, 2019), with final principal payment due October 2023 \$ 74,745

Note payable due in monthly installments of \$1,393, including interest at 4.00%, with a final payment of unpaid principal and interest due November 2023, secured by mortgage loans receivable 221,059

Community First Credit Union:

Note payable due in monthly installments of \$1,745, including interest at 2.95%, with a final payment of unpaid principal and interest due December 2020, secured by mortgage 273,102

Note payable due in monthly installments of \$3,313, including interest at 2.95%, with a final payment of unpaid principal and interest due June 2021, secured by mortgage 530,860

Note payable due in monthly installments of \$10,029, including interest at 2.95%, with a final payment of unpaid principal and interest due December 2022, secured by two mortgages 2,042,637

Fox Communities Credit Union:

Note payable, monthly interest only payments at 3.89%, with a final payment of unpaid principal and interest due January 2020, secured by land 51,271

HFHI NMTC Sub-CDE I, LLC:

Note payable, semi-annual interest only payments through November 2023 at approximately 0.68%, then semi-annual payments of principal and interest through December 2044, secured by certain assets and rights of the Organization. The loan and security agreement contains certain debt covenants. Management believes the Organization was in compliance with these covenants at June 30, 2019. In addition, the loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. 1,662,577

Unamortized debt issuance costs (87,424)

4,969,518

Less discount at 3%-5% for non-interest bearing notes (15,209)

Net notes payable 4,954,309

Current maturities 248,566

Notes payable, less current maturities \$4,705,743

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 12 - Notes payable, continued

During the year ended June 30, 2019, \$3,341 of debt issuance costs were amortized to interest expense.

The future scheduled maturities for the five years succeeding June 30, 2019 for the above notes payable are as follows:

Year ending <u>June 30,</u>	
2020	\$ 248,566
2021	924,046
2022	129,253
2023	1,893,890
2024	235,493

Note 13 - Net assets without donor restrictions

Net assets without donor restrictions at June 30, 2019 consist of the following:

Undesignated	\$ 4,914,824
Board-designated	<u>3,399,553</u>
Net assets without donor restrictions	<u>\$ 8,314,377</u>

The board-designated net assets without donor restrictions include the following at June 30, 2019:

Risk Reserve - The risk reserve includes funds designated to protect the Organization from unforeseen circumstances that may adversely impact its financial stability, ability to serve families or its sustainability. The risk reserve is held in the Fund I in the beneficial interest in assets held by Community Foundation (see Note 8).	\$ 949,497
Remainder Reserve - The remainder reserve includes a portion of the proceeds from sales of mortgage loans receivable in this year and prior years. One time per year, funds may be transferred from the remainder reserve to fund operations. The Board of Directors approval is required for additional transfers and for uses other than operations. The remainder reserve is held in the Fund II in the beneficial interest in assets held by Community Foundation (see Note 8).	<u>2,450,056</u>
Board-designated net assets without donor restrictions	<u>\$ 3,399,553</u>

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 14 - Net assets with donor restrictions

Net assets with donor restrictions at June 30, 2019 consist of the following:

Time restrictions:	
Contributions and grants receivable	\$ 385,988
Purpose restrictions:	
Neighborhood Revitalization program/Rock the Block®	990,841
Garage construction	12,370
Homeowner education	<u>4,430</u>
Net assets with donor restrictions	<u>\$ 1,393,629</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2019:

Expiration of time restrictions:	
Contributions and grants receivable	\$ 181,113
Satisfaction of purpose restrictions:	
Neighborhood Revitalization program/Rock the Block®	625,287
Home construction	<u>10,000</u>
Total net assets released from restrictions	<u>\$ 816,400</u>

Note 15 - Multiple-employer defined contribution retirement plan

The Organization has a co-employment agreement with Insperity PEO Services, L.P. The Organization participated in the Insperity 401(k) Plan, which is a multi-employer, defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all the Organization's employees who work at least 1,000 hours during the plan year. The plan provides for a matching contribution by the Organization equal to 50% of the employee's contribution up to 3% of the employee's compensation. In addition, the plan provides for a non-elective contribution equal to 3% of the employee's compensation. For the year ended June 30, 2019, the Organization contributed \$74,092 to the plan.

Note 16 - Leases

The Organization leases store space, storage space, and equipment under operating leases. These lease agreements provide for monthly rentals ranging from \$150 to \$7,650. Rent expense under these leases was \$116,839 for the year ended June 30, 2019. The leases for the store space, storage space, and equipment expire in October 2023, March 2021, and June 2021, respectively.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 16 - Leases, continued

Future minimum lease payments under the terms of the noncancelable operating leases with initial terms of one year or more are approximately as follows:

Year ending <u>June 30,</u>	
2020	\$ 112,200
2021	108,200
2022	93,800
2023	94,800
2024	<u>31,600</u>
Total minimum payments required	<u>\$ 440,600</u>

Note 17 - Transactions with Habitat for Humanity International, Inc.

The Organization annually tithes 10% of its contributions (excluding restricted and in-kind contributions) and ReStore profits to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2019, the Organization tithed \$58,084 to HFHI.

U.S. affiliates are required to pay an annual fee to HFHI to offset a portion of the costs associated with efforts that benefit all affiliates - efforts such as brand protection and promotion, regulatory advocacy and gift-in-kind solicitation. For the year ended June 30, 2019, the Organization paid a fee of \$15,000 to HFHI.

HFHI receives grants from the United States Department of Housing and Urban Development (HUD) in the Self-Help Homeownership Opportunity Program (SHOP). HFHI makes these grants available to the Organization to purchase land for development and necessary infrastructure improvements. Contributions and grants receivable includes \$43,583 related to this program at June 30, 2019.

The Organization had non-interest bearing notes payable with HFHI (see Note 12). During the year ended June 30, 2019, the Organization amortized \$5,635 of the discounts related to these non-interest bearing notes.

Note 18 - Functional classification of expenses

Expenses by function for the year ended June 30, 2019 was as follows:

Program services	\$ 7,297,311
Supporting activities:	
Management and general	389,119
Fundraising	<u>226,325</u>
	<u>\$ 7,912,755</u>

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

Note 19 - Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards have established a hierarchy of valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets, Level 2 consists of inputs observable in the marketplace other than quoted prices in active markets for identical assets, and Level 3 consists of significant inputs unobservable in the marketplace.

The Organization's beneficial interest in assets held by Community Foundation is carried at fair value. The fair value is provided by the Foundation and consists of the right to receive cash flows from the Foundation. The fair value provided by the Foundation is considered a level 3 input. Fair value is determined by allocating a portion of the Foundation's investment pools.

The following is a reconciliation of beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2019:

Beginning balance - July 1, 2018	\$ 2,835,592
Purchases	440,689
Net gains, realized and unrealized, included in change in net assets	<u>123,272</u>
Ending balance - June 30, 2019	<u>\$ 3,399,553</u>
Change in unrealized gains related to Level 3 assets still held at June 30, 2019	<u>\$ 123,272</u>

Note 20 - Option agreement

On August 19, 2015, the Organization's joint venture, HFHI NMTC Leverage Lender 2013-1, LLC (Leveraged Lender), entered into an option agreement with U.S. Bancorp Community Development Corporation (USBCDC), the sole member of the HFHI Investment Fund 1, LLC (the Fund), which is the upstream effective owner of HFHI NMTC Sub-CDE I, LLC. Under this agreement, Leveraged Lender granted USBCDC an option (the Put) to sell all of its ownership interest in the Fund to Leveraged Lender for \$1,000 plus certain closing costs within 6 months following August 19, 2022. If USBCDC does not sell its ownership interest in the Fund to Leveraged Lender, Leveraged Lender will have the right and option (the Call) to purchase all of the ownership in the Fund within 12 months for the fair value of the ownership interest plus certain closing costs. Exercise of the option would effectively allow the Organization to extinguish its outstanding debt owed to HFHI NMTC Sub-CDE I, LLC.