Bridge Communities, Inc.

Consolidated Financial Report

June 30, 2019

Contents

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Independent Auditor's Report

To the Board of Directors
Bridge Communities, Inc.

We have audited the accompanying consolidated financial statements of Bridge Communities, Inc. and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2019 and 2018 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bridge Communities, Inc. and its subsidiaries as of June 30, 2019 and 2018 and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, Bridge Communities, Inc. adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

December 6, 2019

Consolidated Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 774,392	$ 871,948
Investments - DuPage Foundation (Note 5)	2,887,385	2,584,924
Investments - Real estate	341,820	341,820
Receivables:		
Grants receivable	6,930	298,455
Other - Net	176,489	9,641
Cash surrender value of life insurance	164,023	157,647
Other assets	54,356	47,851
Prepaid expenses	20,184	31,532
Restricted cash (Note 13)	392,752	395,083
Property and equipment - Net (Note 6)	11,105,054	10,946,273
Total assets	**$ 15,923,385**	**$ 15,685,174**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 24,445	$ 21,957
Accrued liabilities and other	160,372	176,158
Deferred revenue	457,599	550,301
Agency liability (Note 13)	392,752	395,083
Deferred rent	30,733	36,306
Security deposits	106,708	114,327
Interest rate swap (Notes 5 and 9)	108,685	804
Notes payable (Note 8)	1,439,550	1,484,730
Line of credit (Note 7)	200,000	-
Total liabilities	2,920,844	2,779,666
Net Assets		
Without donor restrictions:		
Undesignated	9,260,112	9,327,406
Board designated	1,125,311	1,097,575
With donor restrictions	2,617,118	2,480,527
Total net assets	13,002,541	12,905,508
Total liabilities and net assets	**$ 15,923,385**	**$ 15,685,174**

Bridge Communities, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Program partners	$ 945,756	$ -	$ 945,756	$ 930,481	$ -	$ 930,481
Contributions - Capital grants	254,321	-	254,321	301,479	-	301,479
Capital campaign pledges and donations	-	-	-	15,542	-	15,542
Contributions - Individuals	1,259,308	200,646	1,459,954	1,268,606	159,640	1,428,246
Contributions - Corporate and foundations	481,233	107,000	588,233	245,450	183,705	429,155
Contributions - Community organizations	46,794	-	46,794	119,480	-	119,480
In-kind contributions	236,586	-	236,586	79,504	-	79,504
Rental income	469,872	-	469,872	491,021	-	491,021
Miscellaneous income	36,067	-	36,067	3,538	2,745	6,283
Special events, net of expense of $116,752 and $90,604 as of June 30, 2019 and 2018, respectively	281,713	-	281,713	302,508	-	302,508
Investment return - net	91,975	82,641	174,616	103,577	89,070	192,647
Government grants	114,594	-	114,594	106,045	-	106,045
Total revenue and support	4,218,219	390,287	4,608,506	3,967,231	435,160	4,402,391
Net assets released from restrictions (Note 11)	253,696	(253,696)	-	469,737	(469,737)	-
Total	4,471,915	136,591	4,608,506	4,436,968	(34,577)	4,402,391
Expenses						
Program services:	3,307,463	-	3,307,463	2,946,141	-	2,946,141
Support services:						
Management and general	461,829	-	461,829	369,734	-	369,734
Fundraising	634,300	-	634,300	673,167	-	673,167
Total support services	1,096,129	-	1,096,129	1,042,901	-	1,042,901
Total expenses	4,403,592	-	4,403,592	3,989,042	-	3,989,042
Increase (Decrease) in Net Assets - Before unrealized (loss) gain on interest rate swap agreement	68,323	136,591	204,914	447,926	(34,577)	413,349
Unrealized (Loss) Gain on Interest Rate Swap Agreement	(107,881)	-	(107,881)	17,102	-	17,102
(Decrease) Increase in Net Assets	(39,558)	136,591	97,033	465,028	(34,577)	430,451
Net Assets - Beginning of year	10,424,981	2,480,527	12,905,508	9,959,953	2,515,104	12,475,057
Net Assets - End of year	**$ 10,385,423**	**$ 2,617,118**	**$ 13,002,541**	**$ 10,424,981**	**$ 2,480,527**	**$ 12,905,508**

See notes to consolidated financial statements.

Bridge Communities, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Support Services		Total
		Administration	Fundraising	
Compensation:				
Salaries and wages	$ 1,051,328	$ 268,154	$ 429,753	$ 1,749,235
Employee benefits	117,845	23,112	53,083	194,040
Payroll taxes	76,676	19,514	31,992	128,182
Other compensation	10,401	1,369	3,843	15,613
Total Compensation	1,256,250	312,149	518,671	2,087,070
Program housing:				
Building maintenance	470,346	12,438	-	482,784
Property management fees	74,847	11,289	-	86,136
Utilities	228,003	6,910	-	234,913
Rent	141,723	-	-	141,723
Depreciation and amortization	396,667	-	-	396,667
Interest	79,887	-	-	79,887
Real estate taxes	8,373	9,312	-	17,685
Property insurance	31,685	1,152	-	32,837
Other housing	125,070	1,404	-	126,474
Total program housing	1,556,601	42,505	-	1,599,106
Adminstrative:				
Professional services	68,522	32,183	-	100,705
Telecom and IT	35,326	8,627	10,640	54,593
Reimbursed travel	30,655	5,240	6,049	41,944
Meetings and meals	6,532	8,817	5,754	21,103
Office depreciation	6,353	12,706	12,706	31,765
Other	28,893	17,654	17,788	64,335
Total adminstrative	176,281	85,227	52,937	314,445
Family assistance:				
Auto program	29,770	-	-	29,770
Professional services	68,948	-	-	68,948
Program events	23,981	-	-	23,981
Other	87,165	-	-	87,165
Total family assistance	209,864	-	-	209,864
Marketing-Development and marketing	17	21,949	62,691	84,657
In-kind expense	108,450	-	-	108,450
Total functional expenses before special events	3,307,463	461,830	634,299	4,403,592
Special events	-	-	116,752	116,752
Total	$ 3,307,463	$ 461,830	$ 751,051	$ 4,520,344

See notes to consolidated financial statements.

Bridge Communities, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services	Support Services		
		Administration	Fundraising	Total
Compensation:				
Salaries and wages	$ 915,361	$ 232,203	$ 436,321	$ 1,583,885
Employee benefits	96,181	29,205	51,284	176,670
Payroll taxes	68,046	16,751	32,171	116,968
Other compensation	4,669	2,883	1,851	9,403
Total Compensation	1,084,257	281,042	521,627	1,886,926
Program housing:				
Building maintenance	454,013	3,461	3,461	460,935
Property management fees	70,694	-	-	70,694
Utilities	246,029	2,972	2,972	251,973
Rent	122,381	-	-	122,381
Depreciation and amortization	344,484	-	-	344,484
Interest	76,770	-	-	76,770
Real estate taxes	11,667	8,500	-	20,167
Property insurance	26,154	-	-	26,154
Other housing	85,682	-	-	85,682
Total program housing	1,437,874	14,933	6,433	1,459,240
Adminstrative:				
Professional services	101,358	4,293	1,921	107,572
Telecom and IT	32,537	14,842	18,281	65,660
Reimbursed travel	28,778	3,007	8,262	40,047
Meetings and meals	4,234	5,428	4,156	13,818
Office depreciation	11,167	8,073	8,107	27,347
Other	23,992	31,422	22,258	77,672
Total adminstrative	202,066	67,065	62,985	332,116
Family assistance:				
Auto program	38,672	-	-	38,672
Professional services	28,782	-	-	28,782
Program events	28,708	-	-	28,708
Other	59,912	-	-	59,912
Total family assistance	156,074	-	-	156,074
Marketing-Development and marketing	-	-	75,182	75,182
In-kind expense	65,870	6,694	6,940	79,504
Total functional expenses before special events	2,946,141	369,734	673,167	3,989,042
Special events	-	-	90,604	90,604
Total	$ 2,946,141	$ 369,734	$ 763,771	$ 4,079,646

Consolidated Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	$ 97,033	$ 430,451
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	428,434	371,831
Unrealized gain on investments	(104,892)	(150,358)
Realized gain on investments	(9,510)	(379)
Unrealized loss (gain) on interest rate swap agreement	107,881	(17,102)
Bad debt expense	9,396	1,527
Deferred rent	(5,573)	(5,577)
Changes in operating assets and liabilities that provided (used) cash:		
Receivables - Net	130,315	98,184
Prepaid expenses and other assets	4,843	(13,036)
Cash surrender value of life insurance	(6,376)	(6,610)
Accounts payable	2,488	(142,898)
Accrued expenses	(14,420)	25,890
Agency liability	(3,697)	73,449
Program partner liability	(48,675)	8,788
Deferred revenue	(59,061)	(148,868)
Security deposits	(7,619)	3,447
Net cash provided by operating activities	520,567	528,739
Cash Flows from Investing Activities		
Net deposits to restricted cash	2,331	(73,449)
Purchases of investments	(267,903)	(173,968)
Purchases of property and equipment	(587,215)	(1,413,302)
Proceeds from sale of investments	79,844	66,387
Net cash used in investing activities	(772,943)	(1,594,332)
Cash Flows from Financing Activities		
Borrowings on line of credit	200,000	-
Payments on notes payable	(45,180)	(60,210)
Net cash provided by (used in) financing activities	154,820	(60,210)
Net Decrease in Cash and Cash Equivalents	(97,556)	(1,125,803)
Cash and Cash Equivalents - Beginning of year	871,948	1,997,751
Cash and Cash Equivalents - End of year	**$ 774,392**	**$ 871,948**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	$ 80,911	$ 76,707

See notes to consolidated financial statements.

Note 1 - Nature of Organization

Bridge Communities, Inc. (the "Corporation") was incorporated on January 26, 1990 under the Not-For-Profit Corporation Act of the State of Illinois with the purpose of providing transitional housing and related services to homeless families in DuPage County, Illinois and creating opportunities for them to return to permanent housing and independence through a mentoring program. Subsidiaries of the Corporation include DuPage AH, LLC; DuPage AH Series I, LLC; and DuPage AH Series II, LLC, which were set up to facilitate multiple building purchases and rehabilitations and allow the Corporation to apply for Illinois Housing Development Authority tax credits.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Corporation have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Principles of Consolidation

The financial statements include the accounts of the Corporation and all of its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Corporation maintains its cash balance in financial institutions, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Restricted Cash

The Corporation holds cash as part of an agency relationship with Families Helping Families (FHF). This amount is restricted until it is remitted to FHF.

Grants Receivable

The Corporation considers grants from donors to be unconditional promises to give. Accordingly, grants are reported at fair value at the date the agreement or pledge form is executed. All grants receivable are expected to be collected in the next year; therefore, no allowance for doubtful accounts has been established at June 30, 2019 or 2018.

Grant revenue is recognized as services are rendered.

Other Receivables

Other receivables are stated at amounts billed for program partners fees and rent. The Corporation has established an allowance for doubtful accounts. Management's periodic evaluation of the collectibility of receivables is based on past experience, known and inherent risks in the accounts, adverse situations that may affect ability to repay, and current economic conditions. The allowance for doubtful accounts at June 30, 2019 and 2018 was approximately $7,300.

Note 2 - Significant Accounting Policies (Continued)

Investments

The Corporation's investments are reported at fair value. Dividends received are included in income, except for those dividends received in excess of the Corporation’s proportionate share of accumulated earnings, which are applied as a reduction of the cost of the investment. Impairment losses due to a decline in the value of the investment that is other than temporary are recognized when incurred. No impairment losses were recognized in 2019 or 2018. The Corporation also has long-term real estate investments recorded at the lower of cost or market that consist of equity interests in condominium units.

The Corporation's investments are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes could materially affect the amounts reported in the financial statements.

Deferred Revenue

Revenue from program sponsorships is deferred and recognized as income over the period earned. As of June 30, 2019 and 2018, deferred revenue includes a conditional grant received from one donor.

Agency Liability

The Corporation holds amounts for FHF that offset the restricted cash on the consolidated statement of financial position.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are included with all other contributions as without donor-restricted support. Other restricted gifts are reported as restricted support and with donor-restricted net assets.

Program partner income is recognized as revenue as the monthly fee for the program partner sponsorship is earned.

Rental Revenue

The Corporation records apartment and office rental income based on occupied rent amounts (see Note 16).

Program Partners

Program partners are groups who are responsible for providing financial support to the Corporation for its services and mentoring needs to families that are part of the Corporation's transitional housing program. They are billed at a flat fee on a monthly basis. Revenue is recognized at the beginning of each month when the bills are prepared. These program partner fees are considered to be conditional gifts that are reflected monthly.

Capital Grants

The Corporation considers grants from the state, city, and county to be exchange transactions. As such, grants from government agencies are reported at the date they have been performed and the revenue is earned.

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment and leasehold improvements are recorded at cost. Assets are depreciated over their estimated useful lives using the straight-line method. Costs of maintenance and repairs are charged to expense when incurred. Leasehold improvements are amortized over their estimated useful lives or the applicable lease term, if shorter.

Federal Income Taxes

The Corporation is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

Classification of Net Assets

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Corporation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates made by management in the financial statements include determining an allowance for uncollectible accounts receivable and depreciating property and equipment over their estimated useful lives. Actual results could differ from those estimates. It is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information becomes available.

Functional Allocation of Expenses

Costs of providing various program and support services have been reported on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Costs are charged to program services and support services on an actual basis when available. In addition, costs may be allocated between the program and support functions based on various methods and estimates. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

The Corporation adopted FASB ASU No. 2016-14, *Not-for-Profit Entities*, as of July 1, 2018 and applied it retrospectively to all periods presented. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Corporation, including disclosures of quantitative and qualitative information about the liquidity and availability of resources, classification and disclosure of underwater endowment funds as net assets with donor restrictions, and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general.

As a result of the adoption of this standard, investment expenses of $15,162 for the year ended June 30, 2018 have been reclassified to be shown net of investment income in accordance with the new standard. Additionally, certain expenses in the consolidated statement of functional expenses have been reclassified for the year ended June 30, 2018, resulting in program expenses decreasing $253,568, management and general expenses increasing $171,430, and fundraising expenses increasing $82,138. As of June 30, 2018, temporarily restricted net assets of $1,276,510 and permanently restricted net assets of $1,204,017 have been reclassified to be net assets with donor restrictions of $2,480,527.

Upcoming Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Corporation's year ending June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Upon adoption of the new lease standard, the Corporation's operating leases, as disclosed in Note 10, will be reported on the consolidated statement of financial position as a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. As a result, the new lease standard is expected to have a significant effect on the Corporation's total assets and liabilities, however, the Corporation does not expect the effects on the changes in net assets to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same as current practice.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Corporation’s year ending June 30, 2020 and will be applied on a modified prospective basis. The Corporation does not expect the standard to have a significant impact on the timing of revenue recognition for contributions received.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 6, 2019, which is the date the financial statements were available to be issued.

Note 3 - Liquidity

The following reflects the Corporation's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date.

	2019	2018
Cash and cash equivalents	$ 774,392	$ 871,948
Receivables	183,419	308,096
Investments	2,887,385	2,584,924
Financial assets - At year end	3,845,196	3,764,968
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions on investments	1,761,533	1,486,329
Board designations	1,125,311	1,097,575
Financial assets available to meet cash needs for general expenditures within one year	$ 958,352	$ 1,181,064

Contributions receivable are subject to implied time restrictions, but the amount reported above is expected to be collected within one year.

The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Corporation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

The Corporation also realizes there could be unanticipated liquidity needs. In recognition of this, the Corporation has committed lines of credit in the amount of $1,200,000 and $500,000 at June 30, 2019 and 2018, respectively, which it could draw upon if needed, as further described in Note 7.

Note 4 - Investments

The Corporation has investments that are managed by the DuPage Foundation (DF), a not-for-profit that manages investments for many not-for-profit organizations on an agency basis. The Corporation's investment is carried at fair market value.

The Corporation also has long-term real estate investments, recorded at lower of cost or market, that consist of equity interests in condominium units. Under this program, the Corporation's client generally buys an equity portion of the unit from the Corporation, and the Corporation retains the remaining interest. The client is responsible to pay all of the costs of real estate taxes, insurance, and condominium assessments for common costs. At such time as the unit purchaser wishes to sell her interest, the Corporation has right of first refusal to buy that equity interest at the current fair market value of the respective equity percentage.

Investment expense for the years ended June 30, 2019 and 2018 was $16,197 and $15,162, respectively.

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Corporation's assets and liabilities measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Corporation to determine those fair values.

Note 5 - Fair Value Measurements (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Assets - Mutual funds	$ 2,887,385	$ -	$ -	$ 2,887,385
Liabilities - Interest rate swap	$ -	$ 108,685	$ -	$ 108,685

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Assets - Mutual funds	$ 2,584,924	$ -	$ -	$ 2,584,924
Liabilities - Interest rate swap	$ -	$ 804	$ -	$ 804

The interest rate swaps are not traded on an exchange and are recorded at fair value based on a variety of observable inputs, including contractual terms, interest rate curves, yield curves, measures of volatility, and correlations of such inputs. The Corporation's interest rate swaps are classified as Level 2 in the fair value hierarchy.

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018	Depreciable Life - Years
Land	$ 2,219,339	$ 2,219,339	-
Buildings*	11,755,685	11,348,075	40
Furniture and fixtures	155,726	135,054	3-7
Computer equipment and software	76,909	76,909	3-7
Leasehold improvements	391,623	355,927	10
Construction in progress	123,236	-	-
Total cost	14,722,518	14,135,304	
Accumulated depreciation	3,617,464	3,189,031	
Net property and equipment	$ 11,105,054	$ 10,946,273	

*Certain buildings are collateralized as a condition of the acquisition and rehab grants included in Note 11, as well as the term loans included in Note 8.

On December 4, 2019, the Corporation purchased an office building for $1,100,000. The Corporation financed this transaction with a note payable for $880,000.

Depreciation and amortization expense was $428,434 and $371,831 for 2019 and 2018, respectively.

Note 7 - Line of Credit

The Corporation has a revolving line of credit that allowed for borrowings up to $500,000, bears interest at the prime rate, and is secured by real property. The effective interest rate was 4.59 percent at June 30, 2018. There was no outstanding balance on the line of credit at June 30, 2018. The line of credit was extended during the year until August 31, 2019 and increased maximum borrowings to $1,200,000. The effective interest rate was 5.0 percent at June 30, 2019. The balance outstanding at June 30, 2019 was $200,000. Subsequent to year end, the line of credit was again extended until August 31, 2020.

Note 8 - Notes Payable

The Corporation's notes payable consist of the following:

The first term loan had an original balance of $1,500,000 with principal due in monthly installments commencing on August 10, 2011 in amounts ranging from $2,500 to $3,420, plus interest, with a final balloon payment of $1,255,740 due at maturity on July 22, 2018. The note bore interest at a rate that adjusts monthly to LIBOR plus 2.50 percent, an effective rate of 4.55 percent as of June 30, 2018. The loan was secured by certain real estate located in DuPage County, Illinois. The outstanding balance was $1,255,740 as of June 30, 2018. On July 22, 2018, this term loan was paid off and refinanced with a third term loan.

The second term loan had an original principal balance of $316,576, with principal payments of $1,055 plus interest due in monthly installments commencing on August 10, 2011, with an original final balloon payment due at maturity on July 22, 2016. The agreement was extended for five years, and the final balloon payment was due on July 22, 2021. Interest was payable monthly at the greater of the prime rate or 3 percent. The effective interest was 5.00 percent as of June 30, 2018. The loan was secured by an assignment of pledges, transfers, conveyances, mortgages, and grants of security interests of the property. The outstanding balance was $228,990 as of June 30, 2018. On July 22, 2018, this term loan was paid off and refinanced with a third term loan.

Note 8 - Notes Payable (Continued)

The Corporation paid off the first and second term loans with a third term loan with an original principal balance of $1,479,200 on July 22, 2018. The note has monthly principal payments ranging from $3,965 to $5,496, plus interest, with a final balloon payment of $1,101,548 due at maturity on July 22, 2025. The note bears interest at a rate that adjusts monthly to LIBOR plus 2.25 percent, an effective rate of 4.30 percent as of June 30, 2019. The loan was secured by certain real estate located in DuPage County, Illinois. The outstanding balance was $1,439,550 as of June 30, 2019.

The future maturities of the note payable as of June 30, 2019 are as follows:

Years Ending	Amount
2020	$ 49,620
2021	52,548
2022	55,532
2023	58,658
2024	61,794
Thereafter	1,161,398
Total	$ 1,439,550

The net amount of interest under the debt obligations expensed by the Corporation for the years ended June 30, 2019 and 2018 was $79,887 and $76,770, respectively.

Note 9 - Interest Rate Swap

The Corporation is exposed to certain risks in the normal course of its business operations. One such risk is the variability of interest expense on the adjustable rate term loans described in Note 8. The Corporation uses an interest rate swap to manage the risk associated with these adjustable rate term loans.

Effective July 22, 2011, the Corporation entered into the interest rate swap agreement with a financial institution, with a notional amount of $1,500,000. The term of this swap agreement runs from July 22, 2011 through July 10, 2018 and was extended through July 22, 2025 in relation to the third term loan described in Note 8 during the current fiscal year. Under this agreement, the Corporation is charged or reimbursed based on the differential between the variable rate based on one-month LIBOR and a fixed rate of 5.11 percent. The notional amount of the interest rate swap will adjust in relation to the related term loan balance and as of June 30, 2019 and 2018, the notional amount was $1,439,550 and $1,484,730, respectively.

The interest rate swap is a derivative financial instrument and is reported in the consolidated statement of financial position at fair value. The fair value of the liability for the Corporation's interest rate swap agreements was $108,685 and $804 at June 30, 2019 and 2018, respectively, and was measured using Level 2 inputs determined by pricing models maintained by the counterparty to the swap agreement. The pricing models utilize a series of market inputs to determine the present value of future cash flows, with adjustments, as required for credit and liquidity risk. The change in fair market value of the interest rate swap agreement was recorded as an unrealized loss of $107,881 and unrealized gain of $17,102 for the years ended June 30, 2019 and 2018, respectively.

The interest rate swap is designated as a fair value hedge. For fair value hedges, the gain or loss on the derivative instrument is offset against the loss or gain on the related hedged item recognized in current earnings. The Corporation entered into a hedging relationship such that changes in the fair value or cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives.

Note 10 - Operating Leases

The Corporation leases office equipment and various residential properties for program use, which are used as transitional housing under operating lease agreements that expire at various dates through 2026. The following is a schedule of future minimum rental payments for the years ending June 30:

Years Ending June 30	Amount
2020	$ 141,300
2021	141,300
2022	140,064
2023	138,828
2024	136,980
Thereafter	282,440
Total	$ 980,912

Total rent expense on these leases for 2019 and 2018 was $136,980 and $124,487, respectively.

Note 11 - Net Assets

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Capital campaign	$ 588	$ 588
Investment return on endowment	364,953	282,312
Acquisition and rehab grants	803,646	919,784
Purpose restricted	51,500	53,826
Time restricted	-	20,000
Total net assets subject to expenditures for a specified purpose or time	1,220,687	1,276,510
Capital campaign endowment	800,000	800,000
Karen Stewart Memorial Fund	71,390	74,017
Hinsdale Junior Women's Club endowment	194,874	200,000
Founders Fund endowment	330,167	130,000
Enter subtotal description	1,396,431	1,204,017

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes, or by the occurrence of events specified by the donor, are as follows:

	2019	2018
Acquisition and rehab grants	$ 116,138	$ -
Other	117,558	380,428
Time restricted	20,000	89,309
Total	$ 253,696	$ 469,737

Note 12 - Endowment

The Corporation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 12 - Endowment (Continued)

Interpretation of Relevant Law

The Corporation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Corporation had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Corporation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Corporation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Corporation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Corporation
- The investment policies of the Corporation

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,125,311	$ -	$ 1,125,311
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	1,396,580	1,396,580
Accumulated investment gains	-	364,953	364,953
Total donor-restricted endowment funds	-	1,761,533	1,761,533
Total	$ 1,125,311	$ 1,761,533	$ 2,886,844

Note 12 - Endowment (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 1,097,575	$ 1,486,329	$ 2,583,904
Investment income	83,796	82,641	166,437
Contributions	15,550	200,796	216,346
Distributions	(71,610)	(8,233)	(79,843)
Endowment net assets - End of year	$ 1,125,311	$ 1,761,533	$ 2,886,844

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,097,575	$ -	$ 1,097,575
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	1,204,017	1,204,017
Accumulated investment gains	-	282,312	282,312
Total donor-restricted endowment funds	-	1,486,329	1,486,329
Total	$ 1,097,575	$ 1,486,329	$ 2,583,904

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 1,052,101	$ 1,273,484	$ 2,325,585
Investment income	102,821	89,070	191,891
Contributions	-	132,815	132,815
Distributions	(57,347)	(9,040)	(66,387)
Endowment net assets - End of year	$ 1,097,575	$ 1,486,329	$ 2,583,904

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Corporation to retain as a fund of perpetual duration. As of June 30, 2019 and 2018, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Corporation adopted an investment and spending policy for the endowment assets that was approved by the board of directors. The endowment investment principles are as follows:

- Conservation of principal
- Regular income at a reasonable market rate, consistent with a conservative investment approach
- Long-term growth of income and principal over and above that necessary to offset cost of living or inflation increases
- Maintenance of sufficient liquidity to provide for anticipated distributions

Note 12 - Endowment (Continued)

- Investment in a well-diversified pool of assets in institutions, companies, corporations, or funds with the particular investment mix to be determined by the endowment committee from time to time
- In general, the investment time horizon will be considered long term.

Strategies Employed for Achieving Objectives

The principal is managed and invested under the terms of the endowment policy by institutions approved in advance by the board of directors. The investments are managed by DF in seven mutual funds for a negotiated fee.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As a general rule, gifts to the endowment program are not designated for particular purposes. All receipts from unrestricted bequests valued at $10,000 or more, annuities, charitable remainder trusts, and charitable lead trusts become a part of the endowment unless the endowment committee determines that a specific unrestricted gift should be deposited in a different account or the donor has specified other restrictions upon the gift. If the value of the endowment is at least $2 million, an annual distribution up to 4% of the rolling average amount of the endowment value for the past 12 months can be made to the Corporation to be used for either capital purposes or as a complement to the Corporation's general operating budget. The board of directors approves the annual distribution, if any, and may, in unusual circumstances and at its discretion, approve distributions in excess of 4%.

Note 13 - Agency Liability

The Corporation provides accounting services and acts as a custodian for cash deposited by FHF, a program partner. At June 30, 2019, and 2018, the Corporation's liability as an agent was $392,752 and $395,083, respectively.

Note 14 - Defined Contribution Pension Plan

On July 1, 1998, the Corporation established a defined contribution pension plan covering all full-time employees who have met certain service requirements. The plan provides for matching contributions and discretionary contributions by the Corporation, as determined annually by the board of directors, up to the maximum amount permitted under the Internal Revenue Code. The Corporation contributed $54,742 and $63,804 to the plan for the years ended June 30, 2019 and 2018, respectively.

Note 15 - In-kind Contributions

Donated items received by the Corporation and used in its programs have been reflected in the financial statements at their estimated fair values. In-kind contributions totaled $209,811 and $79,504 for the years ended June 30, 2019 and 2018, respectively. The amounts include an energy efficiency program provided by a utility company for several of the Corporation’s properties, automobiles recorded as in-kind expenses in the consolidated statement of functional expenses and other promotional materials that were donated to the Corporation. The Corporation does repairs and maintenance on the donated vehicles. Each automobile is then given to a client family in DuPage County, Illinois needing transportation to reach work, school, or job training. Additionally, the Corporation leases office space for a reduced amount of $10 a month. For the year ended June 30, 2019, the fair value of the discount provided on the rented space was estimated to be approximately $27,000.

Note 16 - Minimum Future Rentals

Minimum future rentals to be received on a noncancelable office lease as of June 30, 2019 for each of the next five years and in the aggregate are as follows:

Years Ending	Amount
2020	$ 23,292
2021	31,992
2022	32,952
2023	33,936
2024	34,956
Thereafter	36,000
Total	$ 193,128

The noncancelable office lease expires on June 1, 2025.