

**Midlands Housing Alliance, Inc.**

Financial Statements and  
Independent Auditors' Report

*As of and for the Years  
Ended June 30, 2018 and 2017*

# Midlands Housing Alliance, Inc.

## Financial Statements and Independent Auditors' Report

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## **Independent Auditors' Report**

To the Board of Directors  
Midlands Housing Alliance, Inc.  
Columbia, South Carolina

We have audited the accompanying financial statements of Midlands Housing Alliance, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midlands Housing Alliance, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mark Beaufort ; Woodhewer LLP*

Columbia, South Carolina  
December 4, 2018

# Midlands Housing Alliance, Inc.

## Statements of Financial Position

As of June 30,

ASSETS	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 709,629	\$ 795,290
Investments - other	105,451	157,332
Unrestricted promises to give	9,580	2,500
Grants receivable		
Temporarily restricted	477,658	121,227
Unrestricted	82,198	31,300
Prepaid expenses	8,640	12,074
Total Current Assets	<u>1,393,156</u>	<u>1,119,723</u>
Non-Current Assets:		
Property and equipment, net	8,381,596	8,735,776
Investments - other	254,346	100,000
Beneficial interest in assets held by others	57,674	54,553
Total Non-Current Assets	<u>8,693,616</u>	<u>8,890,329</u>
Total Assets	<u><u>\$ 10,086,772</u></u>	<u><u>\$ 10,010,052</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 35,883	\$ 25,489
Accrued expenses	110,450	98,410
Total Current Liabilities	<u>146,333</u>	<u>123,899</u>
Net Assets:		
Unrestricted	9,045,310	9,453,041
Board designated reserves	417,471	311,885
Temporarily restricted	477,658	121,227
Total Net Assets	<u>9,940,439</u>	<u>9,886,153</u>
Total Liabilities and Net Assets	<u><u>\$ 10,086,772</u></u>	<u><u>\$ 10,010,052</u></u>

*See accompanying notes and independent auditors' report.*

**Midlands Housing Alliance, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Grants	\$ 746,445	\$ 461,685	\$ 1,208,130
Contributions	1,036,022	83,000	1,119,022
Contract	270,141	200	270,341
Rental	63,472	-	63,472
Miscellaneous	18,840	-	18,840
Investment income	6,001	-	6,001
Unrealized gain on investments	493	-	493
Net assets released from restriction	188,454	(188,454)	-
<b>Total Revenues and Other Support</b>	<b>2,329,868</b>	<b>356,431</b>	<b>2,686,299</b>
<b>EXPENSES</b>			
Program services	2,181,296	-	2,181,296
Management and general	224,559	-	224,559
Fundraising	226,158	-	226,158
<b>Total Expenses</b>	<b>2,632,013</b>	<b>-</b>	<b>2,632,013</b>
<b>Change in Net Assets</b>	<b>(302,145)</b>	<b>356,431</b>	<b>54,286</b>
<b>Net Assets at Beginning of Year</b>	<b>9,764,926</b>	<b>121,227</b>	<b>9,886,153</b>
<b>Net Assets at End of Year</b>	<b>\$ 9,462,781</b>	<b>\$ 477,658</b>	<b>\$ 9,940,439</b>

*See accompanying notes and independent auditors' report.*

**Midlands Housing Alliance, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Grants	\$ 1,097,200	\$ 192,000	\$ 1,289,200
Contributions	673,557	67,000	740,557
Contract	237,759	720	238,479
Rental	86,156	-	86,156
Miscellaneous	21,877	-	21,877
Investment income	2,604	-	2,604
Unrealized gain on investments	4,579	-	4,579
Net assets released from restriction	394,718	(394,718)	-
<b>Total Revenues and Other Support</b>	<b>2,518,450</b>	<b>(134,998)</b>	<b>2,383,452</b>
<b>EXPENSES</b>			
Program services	2,153,996	-	2,153,996
Management and general	251,574	-	251,574
Fundraising	194,833	-	194,833
<b>Total Expenses</b>	<b>2,600,403</b>	<b>-</b>	<b>2,600,403</b>
<b>Change in Net Assets</b>	<b>(81,953)</b>	<b>(134,998)</b>	<b>(216,951)</b>
<b>Net Assets at Beginning of Year</b>	<b>9,846,879</b>	<b>256,225</b>	<b>10,103,104</b>
<b>Net Assets at End of Year</b>	<b>\$ 9,764,926</b>	<b>\$ 121,227</b>	<b>\$ 9,886,153</b>

*See accompanying notes and independent auditors' report.*

## Midlands Housing Alliance, Inc.

### Statements of Functional Expenses

For the Year Ended June 30, 2018, with Comparative Totals for the Year Ended June 30, 2017

	2018						2017	
	Grants	Other Program Services	Total Program Service	Management and General	Fundraising	Total Support Services	Total	
<b>Expenses:</b>								
Salaries, benefits and payroll taxes	\$ 1,242,325	\$ 14,812	\$ 1,257,137	\$ 82,199	\$ 153,668	\$ 235,867	\$ 1,493,004	\$ 1,425,604
Depreciation	371,585	-	371,585	11,492	-	11,492	383,077	423,428
Telephone and utilities	201,298	-	201,298	-	-	-	201,298	196,398
Program supplies	107,708	760	108,468	6,853	-	6,853	115,321	130,405
Contract services	34,902	14,649	49,551	15,146	-	15,146	64,697	114,931
Equipment rental, maintenance and repair	60,446	68	60,514	43,349	-	43,349	103,863	79,888
Insurance	50,478	-	50,478	12,145	-	12,145	62,623	63,767
Land rental and leases	43,788	-	43,788	-	-	-	43,788	43,788
Consulting and professional fees	7,621	-	7,621	48,490	833	49,323	56,944	37,647
Fundraising events	-	-	-	706	51,236	51,942	51,942	47,313
Office supplies	4,370	-	4,370	-	-	-	4,370	4,127
Memberships and dues	1,885	-	1,885	-	-	-	1,885	1,885
Postage	4,613	-	4,613	99	892	991	5,604	2,109
Printing and publications	4,500	-	4,500	-	149	149	4,649	4,855
Conferences and professional development	2,166	-	2,166	50	150	200	2,366	3,440
Other expenses	13,322	-	13,322	4,030	19,230	23,260	36,582	20,818
<b>Total Functional Expenses</b>	<b>\$ 2,151,007</b>	<b>\$ 30,289</b>	<b>\$ 2,181,296</b>	<b>\$ 224,559</b>	<b>\$ 226,158</b>	<b>\$ 450,717</b>	<b>\$ 2,632,013</b>	<b>\$ 2,600,403</b>
			82.9%	8.5%	8.6%			

*See accompanying notes and independent auditors' report.*



# Midlands Housing Alliance, Inc.

## Statements of Cash Flows For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 54,286	\$ (216,951)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	383,077	422,622
Unrealized loss (gain) on investments	1,613	(353)
Decrease (increase) in operating assets:		
Change in beneficial interest in assets held by others	(3,121)	(5,466)
Unrestricted pledges receivable	(7,080)	15,500
Temporarily restricted grants receivable	(356,431)	134,998
Unrestricted grants receivable	(50,898)	9,111
Prepaid expenses	3,434	1,825
Increase (decrease) in operating assets:		
Accounts payable	10,394	2,406
Accrued expenses	12,040	(1,524)
Net cash provided by operating activities	<u>47,314</u>	<u>362,168</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(104,079)	(78,000)
Redemption of investments	-	79,000
Purchases of property and equipment	(28,896)	(119,782)
Net cash used by investing activities	<u>(132,975)</u>	<u>(118,782)</u>
Net change in cash	(85,661)	243,386
Cash, beginning of year	<u>795,290</u>	<u>551,904</u>
Cash, end of year	<u>\$ 709,629</u>	<u>\$ 795,290</u>

*See accompanying notes and independent auditors' report.*

# Midlands Housing Alliance, Inc.

## Notes to the Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

### Note 1 – Summary of Significant Accounting Policies

#### *Description of Operating Activity*

The Midlands Housing Alliance, Inc. (the Organization) was organized as a nonprofit corporation in South Carolina in 2005, and was initially called South Carolina Cares, Inc. In 2008, the Organization's name was changed to Midlands Housing Alliance, Inc, as the Organization's mission was realized. The Organization manages and operates Transitions, a facility that opened in June of 2011. Transitions provides shelter and comprehensive services for people who are homeless. The facility helps adult men and women overcome barriers to housing. The 260-bed facility has emergency, convalescent, program, and extended program beds to engage clients at whatever level they need. Approximately 90 additional clients come into the Day Center during the day to receive services. These people living on the streets or otherwise homeless are engaged by day counselors. These day users are encouraged to participate in services and join the program after entering emergency beds. After engaging in low-demand shelter or program beds, the clients can progress to extended program housing for longer recovery or special programs such as Youth or Veterans' beds. Transitions also conducts rapid rehousing to place people more quickly.

The Organization's mission is to engage and equip homeless adults of the Midlands to transition into stability and permanent housing. A majority of the men and women Transitions serves resided in Lexington or Richland counties. There are over fifty partnering agencies that come to Transitions to help clients in their particular service area. Partnering together, Transitions has been able to place approximately 2,077 clients into permanent housing and another approximately 6,931 into positive outcomes in its first seven plus years of operation. Services offered at Transitions include meals, showers, washers and dryers, restrooms, resource center, computers, clothing, telephones, healthcare, mental health counseling and treatment, veterans services, life skills classes, substance abuse counseling, jobs training, rapid housing, and literacy skills. Case management is critical to the transformation process as people are guided to successful outcomes and towards graduation from the Transitions program. As residents participate more fully in the program, they engage in community service and personal development, leading to a source of income and the necessary life skills to maintain permanent housing once they graduate from Transitions.

Transitions also runs the Inclement Weather Center (IWC) for the City of Columbia as a subcontractor for United Way of the Midlands. This IWC opens on nights when it is 40 degrees Fahrenheit or colder from November 1st through March 31st. This project requires extensive coordination with the City and other partners. During fiscal year 2018, services were provided to approximately 890 unique guests.

#### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets includes assets designated by the Board as reserves in case of emergency in order to ensure the continuation of services.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, whether by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted support whose restriction will expire during the accounting period in which it was received is recorded in unrestricted net assets.

# Midlands Housing Alliance, Inc.

## Notes to the Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

### Note 1 – Summary of Significant Accounting Policies (continued)

#### *Basis of Accounting (continued)*

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted assets as of June 30, 2018 and 2017.

#### *Income Taxes*

The Midlands Housing Alliance, Inc. is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income tax. Generally, the Internal Revenue Service may examine a *Return of Organization Exempt from Income Tax* for three years from the date it is filed. At June 30, 2018, tax years ended June 2017, 2016, and 2015 remained open for possible examination.

#### *Revenue Recognition*

The Organization reports grants and contributions of cash and other assets as unrestricted support unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Revenues received and expended in the current year are classified as unrestricted revenue. Unconditional promises to give (pledges receivable) are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises to give are received to discount the amounts.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

#### *Cash and Cash Equivalents*

The Organization considers all highly-liquid instruments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains its cash in cash deposit accounts which at times during the year may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and feels the commercial banks they use are financially sound. The organization's cash balances exceeded the FDIC limit by approximately \$231,000 at June 30, 2018. The Organization does not believe it is exposed to any significant risk on its cash balances.

#### *Grant Receivables and Unconditional Promises to Give*

Grant receivables and unconditional promises to give are carried at realizable value. Management determines an allowance for doubtful accounts by identifying troubled accounts. Management determines the discount for unconditional promises to give by using historical experience. Due to the credit worthiness of granting agencies and short-term nature of amounts pledged, Management has not established an allowance or pledge discount. Receivables and unconditional promises to give are written off when deemed uncollectible. Recoveries of amounts previously written off are recorded when received.

# Midlands Housing Alliance, Inc.

## Notes to the Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

### Note 1 – Summary of Significant Accounting Policies (continued)

#### *Investments – Other*

Investments – Other is comprised of certificates of deposit (CD) held for investment that are not considered marketable securities and fixed income securities classified as held-to-maturity. Realized and unrealized gains and losses are included in total revenues and support. Investment fees are allocated by function. Fixed income securities are carried at fair market value.

#### *Property, Building and Equipment*

Furniture and equipment are stated at cost if purchased and fair market value if donated. The Organization provides for depreciation of property and equipment utilizing the straight-line method over their useful lives. Costs of major additions and improvements are capitalized. The costs of assets retired or otherwise disposed of, and the related allowances for depreciation are eliminated from the respective accounts and any resulting gain or loss is credited or charged to operations. Property and equipment are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impaired property or equipment at June 30, 2018 and 2017.

#### *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### *Use of Estimates*

The preparation of financial statements requires the use of estimates by management. Although these estimates are based on knowledge of current events and actions the Organization may undertake in the future, they may ultimately differ from actual results.

#### *Recent Accounting Pronouncements*

##### Financial Statement Presentation

The Financial Accounting Standards Board (the "FASB") issued an Accounting Standards Update ("ASU"), "Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities," that decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The standard also requires, among other things, the presentation of qualitative information regarding the management of liquid available resources and liquidity risks as well as the reporting and analysis of expenses by both function and nature.

The standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization plans to comply with the standard when it becomes effective.

# Midlands Housing Alliance, Inc.

## Notes to the Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

### Note 1 – Summary of Significant Accounting Policies (continued)

#### *Recent Accounting Pronouncements (continued)*

##### Contributions and Grants

The FASB issued ASU "Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made," that clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The ASU provides guidance for distinguishing between contributions and exchange transactions which then determines which guidance for recognition is applied. The guidance also requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The station plans to comply with the standard when it becomes effective.

The standard will be effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The Organization plans to comply with the standard when it becomes effective.

##### Leases

The FASB issued an ASU requiring organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Additional disclosure will also be required.

The accounting standards update on leases will be effective for fiscal years beginning after December 15, 2019. The Organization plans to comply with the standard when it becomes effective.

##### Revenue Recognition

The FASB issued an ASU and subsequent amendments that eliminates the transaction and industry- specific revenue recognition guidance and replaces it with a principle-based approach for determining revenue recognition.

The accounting standards update regarding revenue recognition will be effective for annual reporting periods beginning after December 15, 2018. The Organization plans to comply with the standard when it becomes effective.

### Note 2 – Investments – Other

The Organization's investment decisions are managed pursuant to a board-approved investment policy. All brokerage and banking institutions managing the Organization's investments were provided copies and have agreed to abide by this policy. The policy restricts investments to fixed income investments consisting of certificates of deposit, money market funds, guaranteed government securities, and AA rated or above commercial paper with an average maturity of less than three years.

"Investments – Other" are comprised of certificates of deposit (CD) held for investment that are not considered marketable securities and fixed income securities. CDs with original maturities greater than three months and remaining maturities less than one year are classified as short-term while those with remaining maturities greater than one year are classified as long-term. CDs are reported at cost plus any accrued interest through the reporting date.

## Midlands Housing Alliance, Inc.

### Notes to the Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

#### Note 2 – Investments – Other (continued)

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position.

Investments – Other consisted of the following as of June 30:

	2018	2017
Certificates of deposit, maturing in one year or less	\$ 103,713	\$ 157,000
Certificates of deposit, maturing in greater than one year	154,666	100,000
Money market funds and accrued interest	1,738	342
Fixed income investments	99,680	-
	\$ 359,797	\$ 257,342

#### Note 3 – Unconditional Promises to Give

Unconditional promises to give at June 30, are as follows:

	2018	2017
Receivable due in less than one year	\$ 9,580	\$ 2,500

Unconditional promises to give from one donor equaled 100% of the receivable balance at June 30, 2018 and 2017.

#### Note 4 – Property and Equipment

Property and equipment consists of the following, as of June 30:

	Estimated Useful Life in Years	2018	2017
Land	-	\$ 1,832,929	\$ 1,832,929
Buildings and improvements	10 - 25	8,964,789	8,953,507
Furniture and equipment	5	469,666	452,051
Vehicles	5	157,186	157,186
		11,424,570	11,395,673
Less: accumulated depreciation		(3,042,974)	(2,659,897)
Property and equipment, net		\$ 8,381,596	\$ 8,735,776

Depreciation expense was approximately \$383,000 and \$423,000 for the years ended June 30, 2018 and 2017, respectively.

## Midlands Housing Alliance, Inc.

### Notes to the Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

#### Note 5 – Beneficial Interest in Assets Held by Others

The Organization has the sole beneficial interest in the assets held by Central Carolina Community Foundation (CCCF). Funds are distributed at the Organization's request, and are to be used for the operations of the Organization. Midlands Housing Alliance has the power to direct those distributed funds, as they deem necessary when they are received.

The fair value presentation of these funds resulted in a net change in value comprised of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 54,553	\$ 49,087
Interest and dividends	3,436	1,637
Change in market value	493	4,580
Fees	<u>(808)</u>	<u>(751)</u>
Balance at year end	<u>\$ 57,674</u>	<u>\$ 54,553</u>

#### Note 6 – Line of Credit

The Organization has a \$500,000 line of credit at a variable interest rate, secured by a deed of trust that expires in October 2018. There was no outstanding balance on the line of credit at June 30, 2018.

#### Note 7 – Temporarily Restricted Net Assets

Net assets reported as temporarily restricted at June 30, 2018 and 2017, are grant amounts temporarily restricted for purpose and timing. Temporarily restricted net assets at June 30, 2018 and 2017 totaled \$477,658 and \$121,227, respectively.

#### Note 8 – Contributed Support

In-kind support includes approximately \$18,300 and \$17,100 for the value of rent and services contributed to the Organization for fundraising, accounting, and various other types of support for the years ended June 30, 2018 and 2017, respectively.

## Midlands Housing Alliance, Inc.

### Notes to the Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

#### Note 9 – Commitments

The Organization rents property under operating lease agreements with landlords. Future minimum rental payments at June 30, 2018, under agreements classified as operating leases with non-cancelable terms in excess of one year are as follows:

2019	\$	43,788
2020		43,788
2021		43,788
2022		43,788
2023		43,788
Thereafter		<u>51,086</u>
Total future minimum lease payments	\$	<u><u>270,026</u></u>

#### Note 10 – Fair Value Measurements

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. The FASB ASC topic *Fair Value Measurements and Disclosures* establishes a three-tier hierarchy that prioritizes the assumptions, referred to as inputs, used in valuation techniques to measure fair value.

The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Pricing inputs which include quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the reporting date. Level 1 investments are comprised of investments available-for-sale.
- Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived from or corroborated by observable market data as of the reporting date.
- Level 3 – Pricing inputs which include those that are unobservable for the asset or liability and reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.



## Midlands Housing Alliance, Inc.

### Notes to the Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

#### Note 10 – Fair Value Measurements (continued)

Assets measured at fair value as of:

<u>June 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 258,379	\$ -	\$ -	\$ 258,379
Insured deposit program	1,738	-	-	1,738
Fixed income	17,220	99,680	84	116,984
Stock	36,891	-	-	36,891
Real estate	3,479	-	-	3,479
	<u>\$ 317,707</u>	<u>\$ 99,680</u>	<u>\$ 84</u>	<u>\$ 417,471</u>

  

<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 257,000	\$ -	\$ -	\$ 257,000
Insured deposit program	332	-	-	332
Fixed income	15,291	-	88	15,379
Stock	33,108	-	-	33,108
Real estate	4,066	-	-	4,066
	<u>\$ 309,797</u>	<u>\$ -</u>	<u>\$ 88</u>	<u>\$ 309,885</u>

#### Note 11 – Federal and State Contracts

Expenditures related to federal and state contracts are subject to adjustment based upon review by the granting agencies. It is management's assessment that the amounts, if any, of expenditures which may be disallowed, would not have a material effect on the Organization's financial position.

#### Note 12 – Defined Contribution Plan

The Organization sponsors a defined contribution plan (the Plan) available to all who agree to make contributions to the Plan. The Organization matches participants' contributions to the Plan up to 2% of the individual participant's compensation. Total expense for the years ended June 30, 2018 and 2017, was approximately \$21,100 and \$13,100, respectively.

#### Note 13 – Board-Designated Reserves

As of June 30, 2018 and 2017, the Board of Directors reserved approximately \$417,500 and \$311,900, respectively, of unrestricted net assets to cover operating expenses should an emergency occur that would affect the continuation of the Organization. Since the amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as unrestricted net assets.

## **Midlands Housing Alliance, Inc.**

### **Notes to the Financial Statements**

**As of and for the Years Ended June 30, 2018 and 2017**

#### **Note 14 – Subsequent Events**

The date to which events occurring after June 30, 2018 (the date of the most recent balance sheet) have been evaluated for possible adjustment to the financial statements or disclosure is October 26, 2018, which is the date on which the financial statements were available to be issued.

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