Austin Housing Finance Corporation

P.O. Box 1088, Austin, TX 78767-1088
(512) 974-3100 • Fax (512) 974-3161 • www.cityofaustin.org/ahfc

**Application for Financing Qualified Multifamily Residential Rental Project**

Please read the instructions before completing and submitting this application.

City of Austin
AUG 1 2 2019
NHCD / AHFC

Section A
Application Summary

1) Name, Address, and telephone numbers of Applicant

| |
|---|
| FC Lakeline Mall Housing, LP |
| 3036 S 1st St |
| Austin, TX, 78704 |
| (512) 447-2026 |

2) Name, address, telephone number, and email address for the Applicant's contact person

| |
|---|
| Sabrina Butler, Director of Real Estate Development |
| 3036 S 1st St |
| Austin, TX, 78704 |
| sabrina.butler@foundcom.org |
| (512) 610-4025 |

3) Amount of Tax-Exempt Bond Issuance Requested?

| |
|---|
| $20,000,000.00 |

4) What type of bond financing is being requested for this development? (Please mark with an X)

| | | | |
|---|---|---|---|
| x | Private Activity Bonds | | 501 (c) |

5) If Private Activity Bonds, which Priority Election? (Please mark with an X)

| | | | | | |
|---|---|---|---|---|---|
| x | 1 | | 2 | | 3 |

6) Brief description of project

Lakeline Station Phase 2 is the second phase of Lakeline Station Apartments, which opened in the fall of 2016. The original Lakeline Station, or Phase 1, was a newly constructed 4-story elevator community with 128 units. The site includes a state-of the art learning center, 2 playgrounds, a large playfield, basketball court, bbq grills, picnic tables, as well as offices for property managements, leasing, and support services. This community is in high demand with a full wait list. The location continues to be ideal for families as it is high opportunity, close to jobs, retail, and good schools. Phase 2 will be the new construction of an estimated 120 units (subject to change as we work through design process) of affordable housing that will build on Foundation Communities' successful housing-plus-services model, proven so effective for families and individuals with low-incomes and housing instability. Phase 2 will share the learning center that is located in Phase 1, which is one of FC's larger learning centers and has additional capacity to serve more students. Although located on the same block, one parcel separates Phase 1 and Phase 2; a 3rd party has plans to develop it as a Turkish Cultural Center. We have been in communication with the owners and are hoping to work with them on a pathway between Phase 1 and Phase 2. Phase 2 will include its own playgrounds, sport court, bbq grills and picnic tables, and offices for property management, leasing, and support services.

**The individual signing this Application represents that he or she read and understands the Austin Housing Finance Corporation Multifamily Residential Development Rules and Regulations, that the information contained in the Application form is correct and complete, that the Applicant agrees to the terms and conditions set out in the instructions, and that he or she is legally authorized to sign on behalf of the Applicant.**

Sabrina Butler
**Signature**

8/9/2019
**Date**

Sabrina Butler
**Typed Name**

Director of Real Estate Development
**Title**

## Section B
### Applicant Information

1) What is the legal form of the Applicant (please check one)

| | | | |
|---|---|---|---|
| | Sole Proprietorship | | General Partnership |
| | Business Corporation | x | Limited Partnership |
| | 501(c)3 Corporation | | Limited Liability Company |

2) Is the Applicant a "to be formed" entity?

| |
|---|
| Yes |

3) Participants in the Application

Please attach an organizational chart identifying the Participants in the Application and identify it as **"Attachment A".** The purpose of this section is to identify and describe the organizations or persons that will own, control and benefit from the Application to be funded with AHFC assistance. The Applicant's ownership structure must be reported down to the level of the individual Principals (natural persons). Persons that will exercise control over a partnership, corporation, limited liability company, trust or any other private entity should be included in the organizational chart. Nonprofit entities, public housing authorities, housing finance corporations and individual board members must be included in this chart.

4) Has the Applicant, any of its officers or directors, or any person who owns a 10% of greater interest in the Applicant ever been found in violation of any rules or regulations of HUD or of any other federal or state agency or been the subject of an investigation by HUD or of any other federal or state agency? If yes, please attach a full explanation.

| | | | |
|---|---|---|---|
| | Yes | x | No |

5) Development Team Members

Please attach a list with the name, address, telephone number, fax number and email address of Applicant's professional development team members. This should include, but is not limited to, legal counsel, financial adviser, investment banker, mortgage banker, architect, general contractor, etc. This should be identified as **"Attachment B"**.

6) Previous Experience

Please attach a summary of the Applicant's (or its principal's) development experience in terms of project types and dates, cost, locations and methods of financing. This should be identified as **"Attachment C"**.

7) Financial Capacity

Please attach copies of the Applicant's most recent audited financial statements including balance sheet and profit and loss statements. This should be identified as **"Attachment D"**.

## Section C
### Development Information

1) Is this Application for (please check one)?

| | | | |
|---|---|---|---|
| x | New Construction | | Acquisition/Rehabilitation |

2) Describe the location of the project site, including the zip code and its street address (if available). This description will be used in the public hearing advertisement and must be complete enough to permit someone interested in the project to find the site.

| |
|---|
| 13653 Rutledge Spur, Austin TX 78717 |

3) Project Location

Please attach a (1) legal description of the site boundaries and (2) map showing the site and surrounding area. Mark on the map any schools, churches, public parks, shopping centers and other relevant services within a half-mile radius of the site. This information should be identified as **"Attachment E"**.

4) If the proposed site is located in a Qualified Census Tract, please give the tract number.

| |
|---|
| Not located in a QCT |

5) If the Applicant owns the project site, please provide the following:

| | |
|---|---|
| Purchase date | 7/31/2018 |
| Purchase price | $2,950,000 |
| Balance of existing mortgage | $2,950,000 |
| Name of existing mortgage holder | Foundation Communities, Inc. |

6) If the Applicant holds an option or contract to purchase the project site, please attach a copy of the Agreement, and also identify as "**Attachment E**".

7) Please indicate the total number of units in the development and the number of units that will be rent and income restricted.

| | | | |
|---|---|---|---|
| Total number of units | 120 | Number of restricted units | 120 |

8) Please attach a financing proposal/information package that includes the following (at a minimum):

A. Rent Schedule

B. Utility Allowance Sheet or HUD Utility Model Schedule

C. Annual Operating Expense Schedule

D. Development Cost Schedule (budget)

E. Sources and Uses of Funds Schedule

F. 30 year pro-forma

G. Financing narrative detailing your development plan

This information package should be identified as "**Attachment F**".

13) Do you intend to set aside 5% of the units for occupancy by the elderly?

| | | | |
|---|---|---|---|
| | Yes | x | No |

14) At closing, do you intend to pay the Texas Department of Aging a one-time fee equal to 0.10% of the total principal amount of the bond issue?

| | | | |
|---|---|---|---|
| | Yes | x | No |

15) Has construction or rehabilitation on the project begun?

| | | | |
|---|---|---|---|
| | Yes | x | No |

If "Yes," what was/is the start date and estimated completion date?

If "No," what is the anticipated start and completion date?

16) Please give the total project cost expended or incurred to date.

$3,036,302

17) Please briefly describe the anticipated arrangements for management of the development. Attach a resume for the proposed management company, include an estimate of the monthly management fee to be paid, and identify this as "**Attachment G**".

9) Please check which of the following furnishings and equipment will be included in the individual apartment units:

| | | | |
|---|---|---|---|
| x | Air conditioning | x | Range |
| x | Disposal | | Carpet |
| x | Refrigerator | x | Dishwasher |
| | Fireplace | | Cable TV |
| | Washer/Dryer | | Other (describe) |

10) Please check which of the following utilities development tenants will be required to pay for on an individual basis:

| | | | |
|---|---|---|---|
| x | Electricity | | Water and wastewater |
| | Gas | | Garbage pickup |
| | Other, describe here: | | |

11) Describe any additional facilities to be included in the project. For example; covered parking, laundry, community space in clubhouse, swimming pool, playground, etc.

Shared learning center at Lakeline Station Phase I, as well as on-site playgrounds, sport court, bbq grills and picnic tables, and offices for property management, leasing, and support services.

12) Describe any restrictions the Applicant intends to impose on project tenants, such as; family size, pets, etc.

We will have a tenant selection criteria, similar to our existing properties which will specify requirements related to occupancy, income, student status, credit, criminal, and rental history.

# APPENDIX A

## AUSTIN HOUSING FINANCE CORPORATION
## APPLICATION FOR BOND FINANCING OR TRANSFER

I, the undersigned duly authorized representative of FC Lakeline Housing Mall Housing, LP (the "Applicant") of the proposed residential development described in the attached Application for Financing Qualified Multifamily Residential Rental Project, do hereby make application to Austin Housing Finance Corporation (the "Austin HFC") in accordance with the Austin HFC's Rules and Regulations regarding the Financing of Multifamily Rental Residential Developments, dated July 31, 2001 (the "Rules"), as amended. In connection therewith, I do hereby declare and represent as follows:

1. The applicant intends to own, construct or rehabilitate and operate a multifamily rental residential development (the "Development") to be located within the City of Austin, Texas, and desires that the Issuer issue obligations to provide financing for such residential developments in accordance with the Rules.

2. The Applicant has received a copy of the Rules, has reviewed the Rules and hereby agrees to comply with all terms and provisions of the Rules, except such provisions as may be expressly waived by the Board of Directors of the Austin HFC. Further Applicant agrees to comply with all terms and provisions of any rules finally approved by the Board prior to approval of an inducement resolution.

3. The Applicant has submitted herewith two completed copies of the Application. To the best of the Applicant's knowledge, the information contained therein is true and correct. Additionally, the Applicant has submitted herewith:

o If applying for a portion of the State Bond Cap, a $5,000 check payable to the Texas Bond Review Board.

o A $5,000 check payable to the Austin HFC to cover staff time for reviewing the application and to compensate Bond Counsel for preparing and filing the Texas Bond Review Board application.

If bonds are not issued, this application fee is non-refundable.

If bonds are issued, the applicant will be required to pay an advance against the Issuance Fee of 10% of the estimated Issuance Fee. This advance will be used to pay for any Third-Party Reports, staff time and other expenses incurred by the Corporation. The advance is payable by the Applicant to the Austin HFC before the public (TEFRA) hearing is scheduled. If bonds are not issued and the total cost of the Third-Party Reports, staff time and expenses is less than the advance, the Austin HFC will refund the difference to the Applicant.

4. The Applicant will (a) pay all Development costs which are not or cannot be paid or reimbursed from the proceeds of the bonds issued to provide funds to finance the Development and (b) at all times, indemnify and hold harmless the Austin HFC against all losses, costs, damages, expenses, and liabilities of whatever nature (including, but not limited to, attorney's fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from, arising out of or related to this Application, the Development, or the issuance, offering, sale, or delivery of the bonds or other evidences of indebtedness issued to provide funds to finance the Development, or the design, construction, rehabilitation, installation, operation, use, occupancy, maintenance, or ownership of the Development.

Based on the foregoing, the Applicant requests that the Board of Directors of the Austin Housing Finance Corporation grant preliminary approval of this Application for financing in accordance with the Rules.

WITNESS MY HAND ON THIS DATE 8/9/2019

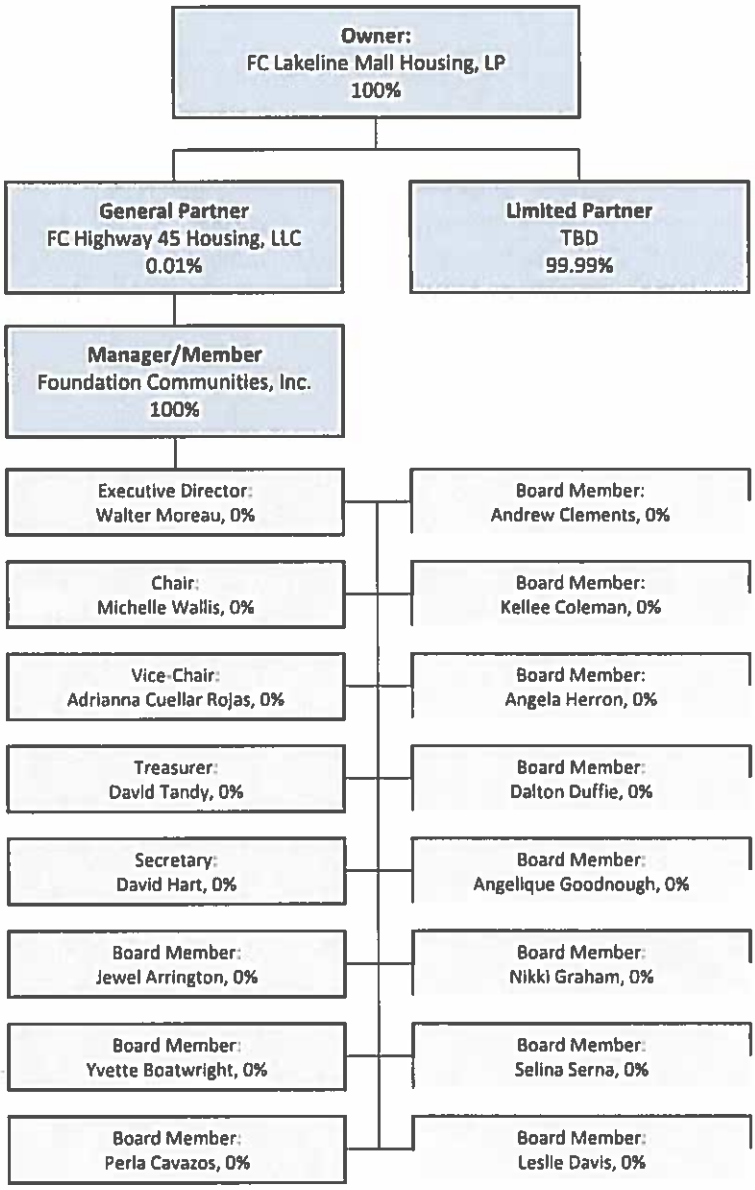
Walter Moreau
PRINTED NAME OF APPLICANT

Walter Moreau
By:

Executive Director of FC Lakeline Mall Housing, LP
Title:

# Attachment A
# ORGANIZATIONAL CHART

FC Austin Six Housing, Corp. is the current owner of the real property located at 13653 Rutledge Spur, Austin, TX 78717 and is a nonprofit affiliate of Foundation Communities, Inc. The goal is to sell the land to Austin Housing Finance Corporation and simultaneously enter into a long-term ground lease. FC Lakeline Mall Housing, LP will be formed as the limited partnership that will lease the land from AHFC. FC Highway 45 Housing, LLC will own .01% of FC Lakeline Mall Housing, LP. Foundation Communities, Inc. will own 100% of the GP, act as the manager of the GP and the developer and guarantor or the development.


Owner:
FC Lakeline Mall Housing, LP
100%
General Partner
FC Highway 45 Housing, LLC
0.01%
Limited Partner
TBD
99.99%
Manager/Member
Foundation Communities, Inc.
100%
Executive Director:
Walter Moreau, 0%
Chair:
Michelle Wallis, 0%
Vice-Chair:
Adrianna Cuellar Rojas, 0%
Treasurer:
David Tandy, 0%
Secretary:
David Hart, 0%
Board Member:
Jewel Arrington, 0%
Board Member:
Yvette Boatwright, 0%
Board Member:
Perla Cavazos, 0%
Board Member:
Andrew Clements, 0%
Board Member:
Kellee Coleman, 0%
Board Member:
Angela Herron, 0%
Board Member:
Dalton Duffie, 0%
Board Member:
Angelique Goodnough, 0%
Board Member:
Nikki Graham, 0%
Board Member:
Selina Serna, 0%
Board Member:
Leslie Davis, 0%

# Attachment B
# DEVELOPMENT TEAM MEMBERS

| Role | Info | Contact | MBE | WBE | NP |
|---|---|---|---|---|---|
| Owner | FC Austin Six Housing Corp<br>3036 S. 1st Street<br>Austin, TX 78704 | Walter Moreau, Executive Director<br>(512) 610-4016<br>walter.moreau@foundcom.org | | | X |
| Developer | Foundation Communities, Inc.<br>3036 S. 1st Street<br>Austin, TX 78704 | Walter Moreau, Executive Director<br>(512) 610-4016<br>walter.moreau@foundcom.org | | | X |
| Architect | Hatch + Ulland Owen Architects<br>1010 East 11th Street<br>Austin, Texas 78702 | Tom Hatch, Partner<br>(512) 474-8548<br>tomhatch@huoarchitects.com | | | |
| Engineer | Civilitude<br>1210 Rosewood Ave<br>Austin, Texas, 78702 | Fayez Kazi, President<br>(512) 761-6161<br>fayez@civilitude.com | X | | |
| Attorney | Rigby Slack Lawrence & Comerford, PLLC<br>6836 Austin Center Blvd., Suite 100<br>Austin, Texas 78731 | Cathleen Slack, Partner<br>(512) 782-2060<br>cslack@rigbyslack.com | | | |
| Accountant | Novogradac & Company LLC<br>11044 research Blvd Suite C400<br>Austin, TX 78759 | George Littlejohn<br>(512)3449-3211<br>George.littlejohn@novoco.com | | | |
| General Contractor | TBD | | | | |
| Construction Lender | TBD | | | | |
| Lenders | TBD | | | | |
| Tax Credit Consultant | Betco Housing Lab<br>812 San Antonio, Suite L-14<br>Austin, Texas 78701 | Lora Myrick, Principal<br>(512) 785-3710<br>lora@betcohousinglab.com | | X | |
| Property Manager | Foundation Communities, Inc.<br>3036 S. 1st Street<br>Austin, TX 78704 | Walter Moreau, Executive Director<br>(512) 610-4016<br>walter.moreau@foundcom.org | | | X |
| Supportive Services | Foundation Communities, Inc.<br>3036 S. 1st Street<br>Austin, TX 78704 | Walter Moreau, Executive Director<br>(512) 610-4016<br>walter.moreau@foundcom.org | | | X |

# Attachment C-1
# APPLICANT'S EXPERIENCE

Foundation Communities has over 25 years of experience utilizing multiple funding tools in the development of affordable multifamily housing. We have an excellent track-record of securing funding in competitive allocations of 9% tax credits, Federal Home Loan Bank AHP funds, and City of Austin RHDA funds as well as strong working relationships with multiple lenders and tax credit investors.

**Tax Credits:** Over the past 18 years, Foundation Communities has applied for and been awarded 9% tax credits for 12 developments and 4% tax credits on 1 development, which utilized bonds from AHFC. The FC development team is well-versed in the LIHTC program and application process and closely follows the annual drafting of the Qualified Allocation Plan. FC has relationships with multiple tax credit investors and syndicators including Enterprise Community Investment, Bank of America, Wells Fargo, Raymond James, NEF, and BBVA Compass.

**City of Austin:** The City of Austin has been a major contributor on every project completed by Foundation Communities in the past 18 years. The FC Development team follows the release of the City's application rules and NOFA and has a solid working relationship with City of Austin NHCD/AHFC staff.

**FHLB:** Foundation Communities has applied for and received 11 awards through the FHLB Affordable Housing Program.

**Lenders:** Foundation Communities has excellent relationships with several lenders that allow for competitive rates and pricing. We currently have private mortgages with Compass BBVA, Bank of America, Wells Fargo, Capital One Bank, and Greater Texas Federal Credit Union.

**Private Fundraising**: FC has a very strong track-record of private fundraising and individual donations. Past large foundation donors include Meadows, Topfer, Kendeda, Enterprise, Home Depot, St. David's, and the Michael & Susan Dell Foundations. In recent years FC secured two large private foundation grants, $2.4 million from the St. David's Health Foundation and $2 million from the Michael and Susan Dell Foundation, to help with construction of health and education amenities onsite at new affordable housing developments. In the last four years, Foundation Communities has been successful in raising over $10 million in private funds to help fund construction of 433 units.

**Other:** FC has also utilized TDHCA's Multifamily Direct Loan Program (TCAP and National Housing Trust Fund loans), and the federal Capital Magnet Fund program.

# Attachment C-2
# PORTFOLIO SUMMARY

| Project Name | Year | Type | Units | Funding Tools |
|---|---|---|---|---|
| Waterloo Terrace - *Under Construction* | 2018 | New | 132 | 9% LIHTC<br>City of Austin - GO Bonds<br>FHLB San Francisco |
| Jordan At Mueller - *Under Construction* | 2017 | New | 132 | 9% LIHTC<br>City of Austin - GO Bonds<br>FHLB San Francisco |
| Cardinal Point | 2015 | New | 120 | 9% LIHTC<br>City of Austin - GO Bonds<br>FHLB San Francisco |
| Garden Terrace Phase III | 2015 | New | 20 | TDHCA - TCAP<br>City of Austin - GO Bonds<br>FHLB San Francisco |
| Bluebonnet Studios | 2014 | New | 107 | 9% LIHTC<br>TDHCA - TCAP<br>City of Austin - GO Bonds & HOME<br>FHLB San Francisco |
| Lakeline Stations | 2014 | New | 128 | 9% LIHTC<br>City of Austin RHDA Program<br>Department of Justice Funds<br>Capital Magnet Fund |
| Live Oak Trails | 2014 | New | 58 | 9% LIHTC<br>TDHCA - TCAP<br>City of Austin - GO Bonds & HOME<br>Department of Justice Funds<br>Capital Magnet Fund |
| Homestead Oaks | 2013 | New | 140 | 9% LIHTC<br>City of Austin - GO Bonds<br>FHLB San Francisco<br>HUD 221(d)(4) - Mortgage |
| Capital Studios | 2012 | New | 135 | 9% LIHTC<br>City of Austin - GO Bonds<br>FHLB San Francisco |
| Arbor Terrace | 2011 | Rehab | 120 | TDHCA - Neighborhood Stabilization Program<br>City of Austin - GO Bonds & CDBG<br>FHLB Atlanta |
| Sierra Vista | 2010 | Rehab | 238 | 9% LIHTC<br>City of Austin RHDA Program<br>FHLB San Francisco |
| M Station | 2009 | New | 150 | 9% LIHTC<br>City of Austin - GO Bonds<br>FHLB San Francisco |
| Garden Terrace Phase II | 2008 | Rehab | 15 | City of Austin - HTF<br>FHLB San Francisco |

| Project Name | Year | Type | Units | Funding Tools |
|---|---|---|---|---|
| Skyline Terrace | 2006 | Rehab | 100 | 9% LIHTC<br>TDHCA HOME<br>City of Austin HOME & HTF<br>FHLB San Francisco |
| Spring Terrace | 2005 | Rehab | 142 | TDHCA HOME & HTF<br>City of Austin - HOME & CDBG<br>FHLB Dallas |
| Garden Terrace Phase I | 2003 | Rehab | 88 | TDHCA - HOME<br>City of Austin - HOME & CDBG<br>FHLB Atlanta<br>HACA |
| Southwest Trails | 2001 | New | 160 | 4% LIHTC<br>TDHCA - Housing Trust Fund<br>City of Austin - HOME & HTF<br>FHLB Dallas |
| Trails at The Park | 2000 | New | 200 | 9% LIHTC |
| Trails at Vintage Creek | 2000 | Rehab | 200 | City of Austin - Housing Revenue Bond |
| Daffodil | 1996 | Rehab | 40 | TDHCA - RTC AHDP |
| Peters Colony | 1995 | Rehab | 160 | TDHCA - RTC AHDP |
| Shadow Brook | 1995 | Rehab | 403 | TDHCA - RTC AHDP |
| Sleepy Hollow | 1995 | Rehab | 128 | TDHCA - RTC AHDP |
| Buckingham Duplexes | 1991 | Rehab | 166 | TDHCA - RTC AHDP |
| Sierra Ridge | 1991 | Rehab | 149 | |
| Crossroads | 1990 | Rehab | 92 | City of Austin - GO Bonds |

# Attachment D

# 2017 – 2018 FINANCIAL AUDIT

# FOUNDATION COMMUNITIES, INC.

**Consolidated Financial Statements**
**as of and for the Years Ended**
**December 31, 2018 and 2017 and**
**Independent Auditors' Report**

MAXWELL
& LOCKE
RITTER

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MAXWELL LOCKE & RITTER LLP

Austin

Round Rock

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Foundation Communities, Inc.:

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Foundation Communities, Inc. (a nonprofit organization) and its affiliates, (collectively, "Foundation Communities"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

### Management's Responsibility for the 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.

### Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditors' 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 Foundation Communities as of December 31, 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.

## Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Foundation Communities adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

## Other Matters

### *Other information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedule of Community Housing Development Organization property tax reinvestment public expenditure test is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Uniform Grant Management Standards, which includes the State of Texas Single Audit Circular, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The supplemental schedules of financial position by entity and activity by entity, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2019, on our consideration of Foundation Communities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foundation Communities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation Communities' internal control over financial reporting and compliance.

Maxwell Locke & Ritter LLP

Austin, Texas
May 31, 2019

## FOUNDATION COMMUNITIES, INC.

### *CONSOLIDATED STATEMENTS OF FINANCIAL POSITION*

### DECEMBER 31, 2018 AND 2017

| | 2018 | | 2017 | |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | | $ 15,475,354 | | $ 14,339,800 |
| Investments | | 2,441,554 | | 5,715,478 |
| Accounts and notes receivable: | | | | |
| Trade | 3,375,911 | | 2,322,670 | |
| Grants and pledges | 5,190,208 | | 7,429,591 | |
| Interest | 4,468,388 | | 3,560,295 | |
| Notes receivable | 59,750,801 | | 56,058,113 | |
| Development fees | 2,757,263 | | 6,448,309 | |
| | | 75,542,571 | | 75,818,978 |
| Escrow and security deposits | | 405,512 | | 281,120 |
| Prepaid expenses | | 223,771 | | 180,035 |
| Investment in partnerships | | 1,364,100 | | 1,366,875 |
| Property and equipment, net | | 64,214,522 | | 50,321,131 |
| Intangible assets, net | | 4,385 | | 5,277 |
| Goodwill | | 5,902,524 | | 5,902,524 |
| TOTAL ASSETS | | 165,574,293 | | 153,931,218 |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities: | | | | |
| Accounts payable | | 4,052,038 | | 4,342,664 |
| Deferred revenue | | 191,426 | | 178,994 |
| Resident security deposits | | 725,451 | | 679,383 |
| Interest rate swap agreements | | 235,429 | | 392,302 |
| Notes payable, net of unamortized debt issuance costs | | 32,433,715 | | 27,135,399 |
| Forgivable loans payable, net of unamoritized debt issuance costs | | 50,317,400 | | 43,384,284 |
| Total liabilities | | 87,955,459 | | 76,113,026 |
| Net assets: | | | | |
| Without donor restriction | | 57,394,541 | | 54,621,333 |
| With donor restrictions - temporarily | | 16,991,836 | | 18,964,402 |
| With donor restrictions - permanently | | 3,232,457 | | 4,232,457 |
| Total net assets | | 77,618,834 | | 77,818,192 |
| TOTAL LIABILITIES AND NET ASSETS | | $ 165,574,293 | | $ 153,931,218 |

See notes to consolidated financial statements.

## FOUNDATION COMMUNITIES, INC.

### *CONSOLIDATED STATEMENT OF ACTIVITIES*

YEAR ENDED DECEMBER 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue: | | | |
| Rental income | $ 18,748,542 | -- | 18,748,542 |
| Contributions and grants | 6,669,328 | 2,763,622 | 9,432,950 |
| Interest | 1,743,503 | -- | 1,743,503 |
| Other property contractual fees | 2,806,510 | -- | 2,806,510 |
| Net assets released from restriction | 5,736,188 | (5,736,188) | -- |
| Total revenue | $ 35,704,071 | (2,972,566) | 32,731,505 |
| Expenses: | | | |
| Property operations and maintenance | $ 10,450,610 | -- | 10,450,610 |
| Community social services | 6,838,112 | -- | 6,838,112 |
| Depreciation and amortization | 5,408,883 | -- | 5,408,883 |
| Interest expense | 2,811,594 | -- | 2,811,594 |
| Utilities | 1,502,816 | -- | 1,502,816 |
| Insurance | 449,534 | -- | 449,534 |
| Real estate taxes | 277,762 | -- | 277,762 |
| General and administrative | 4,116,158 | -- | 4,116,158 |
| Fundraising | 1,075,394 | -- | 1,075,394 |
| Total expenses | $ 32,930,863 | -- | 32,930,863 |
| Change in net assets | 2,773,208 | (2,972,566) | (199,358) |
| NET ASSETS, BEGINNING OF YEAR | 54,621,333 | 23,196,859 | 77,818,192 |
| NET ASSETS, END OF YEAR | $ 57,394,541 | 20,224,293 | 77,618,834 |

See notes to consolidated financial statements.

**FOUNDATION COMMUNITIES, INC.**

***CONSOLIDATED STATEMENT OF ACTIVITIES***

YEAR ENDED DECEMBER 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue: | | | |
| Rental income | $ 17,958,608 | -- | 17,958,608 |
| Contributions and grants | 7,665,470 | 9,477,868 | 17,143,338 |
| Interest | 1,366,450 | -- | 1,366,450 |
| Other property contractual fees | 3,030,656 | -- | 3,030,656 |
| Net assets released from restriction | 7,679,191 | (7,679,191) | -- |
| Total revenue | $ 37,700,375 | 1,798,677 | 39,499,052 |
| Expenses: | | | |
| Property operations and maintenance | $ 9,778,199 | -- | 9,778,199 |
| Community social services | 6,837,297 | -- | 6,837,297 |
| Depreciation and amortization | 4,990,599 | -- | 4,990,599 |
| Interest expense | 2,696,404 | -- | 2,696,404 |
| Utilities | 1,493,772 | -- | 1,493,772 |
| Insurance | 423,337 | -- | 423,337 |
| Real estate taxes | 298,993 | -- | 298,993 |
| General and administrative | 3,791,189 | -- | 3,791,189 |
| Fundraising | 845,909 | -- | 845,909 |
| Total expenses | $ 31,155,699 | -- | 31,155,699 |
| Change in net assets | 6,544,676 | 1,798,677 | 8,343,353 |
| NET ASSETS, BEGINNING OF YEAR | 48,076,657 | 21,398,182 | 69,474,839 |
| NET ASSETS, END OF YEAR | $ 54,621,333 | 23,196,859 | 77,818,192 |

See notes to consolidated financial statements.

## FOUNDATION COMMUNITIES, INC.

### *CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES*

### YEAR ENDED DECEMBER 31, 2018

| | Program Services | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Affordable Housing | Supportive Housing | Asset Building | Healthy Living | Learning Center | Commercial Business Rental Management | Community Engagement | Fundraising | Management and General | Total |
| Salaries and wages | $ 2,063,414 | 2,230,704 | 2,229,865 | 469,188 | 1,825,211 | – | 125,122 | 598,753 | 3,258,651 | 12,800,908 |
| Retirement plan expense | 68,640 | 87,260 | 69,079 | 15,601 | 55,660 | – | 5,405 | 24,974 | 115,345 | 441,964 |
| Payroll taxes | 157,570 | 175,165 | 181,728 | 36,424 | 150,497 | – | 10,703 | 44,564 | 244,646 | 1,001,297 |
| Other employee benefits | 241,450 | 219,091 | 128,865 | 40,257 | 110,811 | – | 11,024 | 37,178 | 371,011 | 1,159,687 |
| Staff training | 49,392 | 14,585 | 10,281 | 4,888 | 14,072 | – | 1,911 | 7,365 | 5,732 | 108,226 |
| Business meals and meetings | 5,461 | – | – | – | – | – | 125 | 1,810 | 6,460 | 13,856 |
| Professional fees | 757,118 | 528 | – | – | – | 13,986 | – | 14,808 | 79,835 | 866,275 |
| Bank charges | 92,558 | – | – | – | – | – | – | 22,075 | – | 114,633 |
| Advertising and promotion | 65,190 | 476 | 66,115 | – | 6,365 | – | 98 | 78,541 | – | 216,785 |
| Office expenses | 68,626 | 13,359 | 24,719 | 8,520 | 32,340 | – | 2,220 | 3,494 | 3,439 | 156,717 |
| Information technology | 24,315 | 48,042 | 52,729 | 3,728 | 65,782 | 260 | 2,272 | 5,169 | 4,651 | 206,948 |
| Travel | 40,325 | 33,694 | 32,912 | 9,818 | 28,627 | – | 3,612 | 8,161 | 1,955 | 159,104 |
| Postage and shipping | 10,420 | – | 2,887 | 7 | 536 | – | 6 | 6 | 13 | 13,875 |
| Printing and publications | 11,708 | 690 | 22,132 | – | 21,082 | – | 16,279 | 2,508 | 4,805 | 79,204 |
| License, fees and dues | 96,104 | 627 | 8,845 | 538 | 19,807 | – | 271 | 27,227 | 1,697 | 155,116 |
| Program expenses | 27,744 | 30,916 | 89,637 | 43,993 | 184,862 | – | 6,828 | – | – | 383,980 |
| Social service providers | – | 299,659 | 79,896 | 18,361 | 198,407 | – | – | – | – | 596,323 |
| Uncollectible pledges | – | – | – | – | – | – | – | 193,499 | – | 193,499 |
| Direct aid | – | 508,219 | 177,818 | 871 | 48,035 | – | – | – | – | 734,943 |
| Occupancy expense | 18,343 | 960 | 109,679 | 933 | 101,848 | – | 5,261 | 5,262 | 10,524 | 252,810 |
| Maintenance and repairs | 1,491,296 | – | – | – | – | – | – | – | 161 | 1,491,457 |
| Predevelopment expense | 95,457 | – | – | – | – | 15,000 | – | – | 7,140 | 117,597 |
| Contract services | 1,215,070 | – | – | – | – | – | – | – | – | 1,215,070 |
| Utilities | 1,413,393 | – | – | – | – | 88,970 | – | – | 453 | 1,502,816 |
| Insurance | 421,688 | 8,790 | 8,790 | – | 8,790 | 1,476 | – | – | – | 449,534 |
| Interest and financing | 2,736,592 | – | – | – | – | 75,002 | – | – | – | 2,811,594 |
| Taxes - property and franchise | 237,162 | – | – | – | – | 40,600 | – | – | – | 277,762 |
| Depreciation and amortization | 5,283,345 | – | – | – | – | 125,538 | – | – | – | 5,408,883 |
| Total | $ 16,692,381 | 3,672,765 | 3,295,977 | 653,127 | 2,872,732 | 360,832 | 191,137 | 1,075,394 | 4,116,518 | 32,930,863 |

See notes to consolidated financial statements.

## FOUNDATION COMMUNITIES, INC.

### *CONSOLIDATED STATEMENTS OF CASH FLOWS*

### YEARS ENDED DECEMBER 31, 2018 AND 2017

| | 2018 | 2017 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ (199,358) | 8,343,353 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,408,883 | 4,990,599 |
| Non cash amortization of debt issuance costs | 74,407 | 75,718 |
| Unrealized gain on interest rate swap agreements | (156,873) | (160,459) |
| Investment in new partnerships | 2,775 | (435) |
| (Increase) decrease in assets: | | |
| Accounts and notes receivable: | | |
| Trade | (1,053,241) | 564,973 |
| Grants and pledges | 2,239,383 | 1,280,617 |
| Interest | (908,093) | (1,190,615) |
| Notes | (3,692,688) | (3,212,563) |
| Development fees | 3,691,046 | 1,008,545 |
| Escrow and security deposits | (124,392) | 505,951 |
| Prepaid expenses | (43,736) | (11,484) |
| Decrease (increase) in liabilities: | | |
| Accounts payable | (290,626) | (391,624) |
| Deferred revenue | 12,432 | (255,396) |
| Resident security deposits | 46,068 | 14,863 |
| Net cash provided by operating activities | 5,005,987 | 11,562,043 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (19,301,382) | (5,293,944) |
| Purchases of investments | (3,471,523) | (5,721,000) |
| Proceeds from the sale of investments | 6,745,447 | 3,925,688 |
| Net cash used in investing activities | (16,027,458) | (7,089,256) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Long-term borrowings on notes payable | 7,250,000 | 5,000,000 |
| Principal payments on notes payable | (2,021,753) | (10,515,833) |
| Long-term borrowings on forgivable loans payable | 7,164,426 | 3,033,639 |
| Forgiveness on forgivable loans payable | (235,648) | (235,648) |
| Net cash provided by (used in) financing activities | 12,157,025 | (2,717,842) |
| Net increase in cash and cash equivalents | 1,135,554 | 1,754,945 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 14,339,800 | 12,584,855 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | 15,475,354 | 14,339,800 |
| SUPPLEMENTAL DISCLOSURE - | | |
| Cash paid for interest | $ 3,876,560 | 3,499,109 |

See notes to consolidated financial statements.

**FOUNDATION COMMUNITIES, INC.**

***NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 1: Description of the Organization and its Mission**

Foundation Communities, Inc. ("FCI") is a Texas nonprofit corporation that provides development, asset management, educational and social services, and property management to its affiliates. FCI and its affiliates are collectively referred to as Foundation Communities.

Foundation Communities' stated purpose is to create housing where families succeed through programs and services for low income families and individuals that include: affordable housing; on-site learning centers offering educational programs for youth and adults; supportive housing including case management; asset building opportunities which include financial literacy education, matched savings accounts, and free income tax preparation assistance; and health initiatives that focus on wellness, prevention, and community resources.

The following are FCI's affiliates:

- Buckingham Mutual Housing Corporation ("Buckingham") was incorporated in 1991 and commenced operations on June 1, 1991.
- Cherry Creek Mutual Housing Corporation ("Cherry Creek") was incorporated in 1989 and commenced operations on June 1, 1989.
- Crossroads Mutual Housing Corporation ("Crossroads") was incorporated in 1990 and commenced operations on April 1, 1990.
- St. Elmo Mutual Housing Corporation (dba Sierra Ridge) ("St. Elmo") was incorporated in 1991 and commenced operations on March 1, 1991.
- Daffodil Mutual Housing Corporation ("Daffodil") was incorporated in 1996 and commenced operations on February 26, 1996.
- Sleepy Hollow Mutual Housing Corporation ("Sleepy Hollow") was incorporated in 1995 and commenced operations on June 1, 1995.
- Shadow Brook Mutual Housing Corporation ("Shadow Brook") was incorporated in 1995 and commenced operations on June 1, 1995.
- Peter's Colony Mutual Housing Corporation ("Peter's Colony") was incorporated in 1995 and commenced operations on June 1, 1995.
- Village Green Mutual Housing Corporation (dba Vintage Creek) ("Village Green") was incorporated in 1999 and commenced operations on February 15, 2000.
- Garden Terrace Housing Corporation ("Garden Terrace") was incorporated in 2001 and commenced operations on February 28, 2002.
- Spring Terrace Housing Corporation ("Spring Terrace") was incorporated in September 2006 and commenced operations in December 2006.

- Central Texas/Searight Housing Corporation ("CTSHC") was formed in 1998 as the sole general partner and .01% owner of Searight Park, Ltd., owner of Trails at the Park apartment complex. The 99.99% limited partnership interest was sold to raise tax credit equity for the project. Trails at the Park is an affordable housing project, construction of which was completed in early 2000. The project costs, totaling approximately $15,400,000, were financed by owner tax credits, mortgages, FCI reimbursable reserves, and grants. FCI was the developer and is the manager of this project through its affiliation with CTSHC. In November 2013, ownership of Trails at the Park apartment complex was transferred to CTSHC and the Searight Park, Ltd. partnership dissolved.

- Central Texas/SWA Mutual Housing Corporation ("CTSWA") was created in March of 1999 and commenced operations on February 1, 2000. CTSWA is the majority shareholder of CTSWA Funding Corporation, a for profit corporation that acts as the sole general partner and .01% owner of SWA Housing, Ltd., owner of the Southwest Trails apartment complex. The 99.99% limited partnership interest was sold to raise tax credit equity. Construction of Southwest Trails, a 160 unit affordable housing project in the Oak Hill area of Austin began in October of 2000. Construction was completed in the fall of 2001. FCI, through its affiliation with CTSWA, was the developer and is the manager of this project. The project costs, totaling approximately $12,750,000, were financed by owner tax credits, the sale of private activity bonds, grants, and FCI reimbursable reserves. In March 2015, CTSWA (non-profit affiliate of FCI) purchased the limited partnership interest in SWA Housing, Ltd. The investor limited partner received $425,000 from the sale of the interest in the partnership. SWA Funding Corp. (for-profit non-FCI affiliate) continued to own the general partnership interest and the SWA Housing, Ltd. partnership continued to own the low-income housing development through July 2017 when the SWA Housing, Ltd. partnership dissolved and the property transferred to CTSWA.

- FC Skyline Terrace Housing, L.L.C. ("Skyline LLC") was formed in 2006 as the sole general partner and .01% owner of Skyline Terrace Housing, L.P., owner of the Skyline Terrace project. The 99.99% limited partnership interest was sold in 2007 to raise tax credit equity for the project. Skyline Terrace is a 100 unit affordable housing project undergoing renovations to the existing structure that began in 2007 and were completed in March 2008. The project costs, totaling approximately $10,450,000, were financed by the owner tax credits and FCI reimbursable reserves and grants. FCI was the developer and is the manager of this project through its affiliation with Skyline Terrace.

- FC M Station Housing, L.L.C. ("M Station LLC") was formed in 2010 as the sole general partner and .01% owner of M Station Housing, L.P., owner of the M Station project. The limited partnership interest was sold to raise tax credit equity for the project. M Station is a 150 unit affordable housing project completed during 2011. FCI was the developer and is the manager of this project through its affiliation with M Station. The project costs, totaling approximately $21,000,000, were financed by owner tax credits, the sale of private activity bonds, grants, and FCI reimbursable reserves.

- FC Shady Oaks Housing, L.L.C. ("Shady Oaks LLC") was formed in 2010 as the sole general partner and .01% owner of Shady Oaks Housing, L.P., owner of the Sierra Vista project. The limited partnership interest was sold in December 2010 to raise tax credit equity for the project. Sierra Vista is a 238 unit affordable housing project renovated during 2011 and 2012. FCI was the developer and manager of this project through its affiliation with Shady Oaks. Central Texas PC Mutual Housing Corporation ("Central Texas PC Mutual") purchased and operated Sierra Vista Apartments between February and December 2010 when the property was transferred to Shady Oaks Housing, L.P.

- FC Austin One Housing Corporation was formed in 2007. In 2010, FC Austin One Housing Corporation entered into a contract to purchase existing property to be developed into another affordable housing property. As of December 31, 2011 the purchase was complete and renovations were complete on 120 units of residential supportive housing. In 2011, FC Austin One Housing Corporation changed its name to Arbor Terrace Housing Corp. ("Arbor Terrace").

- FC Austin Two Housing Corporation ("FC 2") was formed in 2010. On December 31, 2012, FC 2 acquired the 99.99% limited partner interest in Searight Park, Ltd., owner of Trails at the Park Apartments. In 2013, the general partner entity, CTSHC acquired the property and the Searight Park, Ltd. partnership dissolved. At December 31, 2018 and 2017, FC 2 had no assets or liabilities.

- FC Austin Three Housing Corporation ("FC 3") was formed in 2011. In April 2013, FC 3 purchased two duplexes that were anticipated to become part of the tract for a future housing development but were sold to another non-profit in 2014. At December 31, 2018 and 2017, FC 3 had no assets or liabilities.

- FC Austin Four Housing Corporation ("FC 4") was formed in 2011. At December 31, 2018, FC 4 was temporarily holding the limited partner's interest on FC Mueller Housing, LP. The limited partnership interest was sold in 2018 to raise tax credit equity for the Jordan at Mueller Apartments project. At December 31, 2018, FC 4 had no assets or liabilities.

- FC Downtown Studios Housing LLC ("Capital Studios LLC") was formed in 2012 as the sole general partner and .01% owner of Capital Studios Housing, L.P. The limited partnership interest was sold in 2013 to raise tax credit equity for the Capital Studios project. Capital Studios is new construction of 135 units of affordable housing project with a completion date in November 2014. The project costs, totaling approximately $21,000,000, were financed by owner tax credits, grants, and FCI reimbursable reserves.

- FC Austin Five Housing Corporation ("FC 5") was formed in 2013. At December 31, 2018, FC 5 was temporarily holding the limited partner's interest on FC Waters Park Housing, LP. The limited partnership interest will be sold in 2019 to raise tax credit equity for the Waterloo Terrace Apartments project. At December 31, 2017, FC 5 had no assets or liabilities.

- FC Austin Six Housing Corporation ("FC 6") was formed in 2013. At December 31, 2018, FC 6 owns land that will be used in a future development adjacent to the Lakeline Station Apartments. At December 31, 2017, FC 6 had no assets or liabilities.

- FC Austin Seven and Eight Housing Corporations ("FC 7, FC 8") were formed in 2013. None of these organizations had any assets or liabilities at December 31, 2018 and 2017.

- FC Homestead Housing LLC ("Homestead LLC") was formed in 2013 as the sole general partner and .01% owner of FC SW Housing, L.P. The limited partnership interest was sold in 2014 to raise tax credit equity for the Homestead Oaks Apartments project. Homestead Oaks is new construction of 140 units of affordable housing with a completion date in December 2015. The project costs, totaling approximately $23,000,000, were financed by owner tax credits, grants, and FCI reimbursable reserves.

- FC Highway 71 Housing, LLC ("Live Oak LLC") was formed in 2014 as the sole general partner and .01% owner of FC Southwest Trails Housing, L.P. The limited partnership interest was sold in 2015 to raise tax credit equity for the Live Oak Trails Apartments project. Live Oak Trails is new construction of 58 units of affordable housing with a completion date in 2016. The project costs, totaling approximately $15,000,000, were financed by owner tax credits, grants, and FCI reimbursable reserves.

- FC SOLA Housing, LLC ("Bluebonnet LLC") was formed in 2014 as the sole general partner and .01% owner of FC Bluebonnet Studios Housing, L.P. The limited partnership interest was sold in 2015 to raise tax credit equity for the Bluebonnet Studios project. Bluebonnet Studios is new construction of 107 units of affordable housing with a completion date in 2016. The project costs, totaling approximately $20,000,000, were financed by owner tax credits, grants, and FCI reimbursable reserves.

- FC Lakeline Housing, LLC ("Lakeline LLC") was formed in 2014 as the sole general partner and .01% owner of FC Rutledge Spur Housing, L.P. The limited partnership interest was sold in 2015 to raise tax credit equity for the Lakeline Station Apartments project. Lakeline Station is new construction of 128 units of affordable housing with a completion date in 2016. The project costs, totaling approximately $27,000,000, were financed by owner tax credits, grants, and FCI reimbursable reserves.

- FC 4Points Housing, LLC ("4Points LLC") was formed in 2015 as the sole general partner and .01% owner FC Cardinal Point Housing, L.P. The limited partnership interest was sold in 2016 to raise tax credit equity for the Cardinal Point Apartments project. Cardinal Point is new construction of 120 units of affordable housing with a completion date in 2017. The project costs, totaling approximately $25,000,000, were financed by owner tax credits, grants, and FCI reimbursable reserves.

- FC Tilley Housing, LLC ("Tilley LLC") was formed in 2017 as the sole general partner and .01% owner of FC Mueller Housing, L.P. The limited partnership interest was sold in 2018 to raise tax credit equity for the Jordan at Mueller Apartments project. Jordan at Mueller will be new construction of 132 units of affordable housing with an expected completion date in 2019. The project costs, totaling approximately $27,500,000 will be financed by owner tax credits, grants and FCI reimbursable reserves.

- FC North Studios Housing, LLC ("Waterloo LLC") was formed in 2018 as the sole general partner and .01% owner of FC Waters Park Housing, L.P. The limited partnership interest will be sold in 2019 to raise tax credit equity for the Waterloo Terrace Apartments project. Waterloo Terrace will be new construction of 132 units of affordable housing with an expected completion date in 2020. The project costs, totaling approximately $26,500,000 will be financed by owner tax credits, grants and FCI reimbursable reserves.

- FC Austin Nine, Ten, Eleven, Twelve, Thirteen, Fourteen and Fifteen Housing Corporations (FC 9, FC 10, FC 11, FC 12, FC 13, FC 14, FC 15) were formed in 2018. None of these organizations had any assets or liabilities at December 31, 2018.

The financial statements of all the affiliates listed above are consolidated into the financial statements of FCI as FCI has control over and economic interest in them. The Board of Directors for FCI also serve as the Directors of the affiliated corporations. Funds are solicited, controlled, and disbursed at the direction of FCI for the benefit of the affiliated corporations. All inter-organizational transactions and balances have been eliminated between the affiliated corporations in consolidation.

The 2018 and 2017 consolidated financial statements do not include the accounts of Skyline Terrace Housing, L.P., M Station Housing, L.P, Shady Oaks Housing, L.P., Capital Studios Housing, L.P., FC SW Housing, L.P., FC Southwest Trails Housing, L.P., FC Bluebonnet Studios Housing, L.P., FC Rutledge Spur Housing, L.P., FC Cardinal Point Housing, L.P., FC Mueller Housing, L.P. and FC Waters Park Housing, L.P. since FCI does not have control over those entities. Related party transactions with these entities are disclosed in Notes 17, 18, 19, 20, 21, 22, 23, 24, 25, 26 and 27. Skyline Terrace Housing, L.P., M Station Housing, L.P, Shady Oaks Housing, L.P., Capital Studios Housing, L.P., FC SW Housing, L.P, FC Southwest Trails Housing, L.P., FC Bluebonnet Studios Housing, L.P., FC Rutledge Spur Housing, L.P. and FC Cardinal Point Housing, L.P. are reported as separate entities and have their own audited financial statements. FC Mueller Housing, L.P. and FC Waters Park Housing, L.P. will also be reported as separate entities and will have separate audit reports when construction is completed and rental operations begin in 2019 and FC Waters Park Housing, L.P. will begin operations in 2020.

Buckingham, Cherry Creek, Crossroads, St. Elmo, Daffodil, Sleepy Hollow, Shadow Brook, Peter's Colony, Village Green, Garden Terrace, Spring Terrace, CTSHC, CTSWA, Arbor Terrace, FC 2 through FC 15 are Texas nonprofit 501(c)(3) corporations that either own or will be future owners and operate duplex and apartment communities or own partnership interests in low-income housing tax credit partnerships. FC Highway 71 Housing, LLC, FC SOLA Housing, LLC, FC Lakeline Housing, LLC, FC 4Points Housing, LLC, FC Tilley Housing, LLC and FC North Studios Housing, LLC are controlled 100% by Foundation Communities and have not elected status as taxable corporations. Their purpose is to promote charitable and educational activities and includes improving overall community stability through the development and management of affordable housing alternatives for low income individuals and providing educational activities to expand opportunities for the residents

Skyline LLC, M Station LLC, Shady Oaks LLC, FC Downtown Studios Housing, LLC and Homestead LLC are for profit entities and are therefore not included in the group exemption maintained for the other affiliated corporations but are included in these reports because they are 100% owned by FCI.

## Note 2: Summary of Significant Accounting Policies

*Basis of Presentation*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Foundation Communities and changes therein are classified and reported as follows:

> Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by Foundation Communities or at the discretion of the Board for Foundation Communities' use.
>
> With Donor Restrictions - Net assets that are subject to donor-imposed stipulations, which limit their use by Foundation Communities to a specific purpose and/or the passage of time. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Also included in this category are stipulations permanently imposed by the donor. Those net assets are not available for use in operations and limitations neither expire by fulfillment of a specific purpose and/or the passage of time. See Note 15 and Note 16 for composition of net assets with donor restrictions.

*Use of Estimates*

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

*Fair Value Instruments*
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 at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

*Cash and Cash Equivalents*
For purposes of the statement of cash flows, Foundation Communities considers unrestricted highly liquid assets with an original maturity of three months or less as cash and cash equivalents.

*Investments*
Investments consist of certificates of deposit with original maturities over three months at the time of their acquisition and are recorded at their fair values in the consolidated statements of financial position. Fair value is based on quoted market prices. Any changes in fair value are recorded as unrealized gains or losses. Unrealized gains and losses and interest income are reported in the consolidated statements of activities as interest income. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of the investment. All investments were valued using the market approach and are Level 1 inputs under the fair value hierarchy.

*Trade Accounts Receivable and Allowance for Doubtful Accounts*
Trade accounts receivable are recorded at the amount Foundation Communities expects to collect on outstanding balances. No allowance for doubtful accounts has been recorded as management believes all significant accounts receivable to be collectible. Management records bad debts using the direct charge-off method. U.S. GAAP requires that the allowance method be used to record bad debts; however, the effect of using the direct charge-off method is not materially different from the results that would have been obtained using the allowance method.

*Grants and Pledges Receivable*
Grants and pledges receivable are recorded at the amount Foundation Communities expects to receive from grantors and donors. Promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Conditional promises to give are recognized when conditions on which they depend are substantially met. Foundation Communities did not record a net present value discount on contributions receivable at December 31, 2018 or 2017, as the amount would be insignificant. No allowance for uncollectible grants receivable has been recorded as, historically, Foundation Communities has not experienced material uncollectible amounts.

*Notes Receivable*
Notes receivable represent loans issued to the tax credit partnerships. Notes receivable are stated at unpaid principal balances and represent subordinate lien positions on the tax credit partnerships' real estate. Refer to Notes 17, 18, 19, 20, 21, 22, 23, 24, 25, 26 and 27 for additional information.

*Investments in Partnerships*
Investments in partnerships are accounted for under the equity method of accounting. The equity method is required because Foundation Communities is a non-controlling general partner that has guaranteed 100% of the partnerships' debt.

*Property and Equipment*
Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. The composite method is used for the housing unit buildings and improvements. Under the composite method, proceeds from the retirement of assets are credited to accumulated depreciation. Gains or losses on disposition of property and equipment (other than housing unit buildings and improvements) are credited or charged to operations. Foundation Communities capitalizes expenditures over $500. However, certain expenditures for major renewals and betterments that generally cost less than $500 related to major renovation projects are also capitalized, as well as the costs that relate to the acquisition and development of properties. Interest costs are capitalized while development is in progress. Maintenance and repairs are charged to expense as incurred.

Construction in progress represents construction costs and land development costs incurred on incomplete properties not yet available for occupancy. Construction in progress is stated at cost and is not depreciated. Depreciation on construction in progress commences when the assets are ready for their intended use.

*Intangible Assets*
All intangible assets have been determined to have finite lives and as such are being amortized over their respective useful lives. Leasehold interests are being amortized on a straight-line basis over 30 years.

*Impairment of Long-Lived Assets and Intangible Assets Subject to Amortization*
Long-lived assets and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

*Debt Issuance Costs*
Debt issuance costs associated with debt are recorded as a reduction of the related outstanding debt balance, and amortized to interest expense over the term of the related debt arrangement.

*Goodwill*
Goodwill represents the net of the fair value of the assets acquired and the liabilities assumed through CTSHC's acquisition of the Trails at the Park apartment property on December 31, 2012 and the acquisition of the limited partners' interest on SWA Housing, Ltd. on March 3, 2015. Foundation Communities assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to test goodwill for potential impairment.

*Interest Rate Swap Agreements*
Interest rate swaps are valued based on market values provided by the third party intermediary using the market approach and Level 2 inputs under the fair value hierarchy. Foundation Communities has two interest rate swap agreements with a bank that are accounted for as cash flow hedges. These agreements are used to manage exposure to fluctuations in variable interest rates on three note payable agreements. Foundation Communities records the interest rate swap agreements based on the fair value at the statement of financial position date. The corresponding change in the fair value of the agreements is recognized in the current period as an adjustment to interest expense.

*Rental Income Recognition*
Rental income is recognized as the rent becomes due under the terms of the related agreements. The apartment and duplex units are leased under non-cancelable operating leases with up to twelve-month terms.

*Government Grants*
Revenue from certain grants received from federal, state, and local governments are earned based on Foundation Communities incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided.

*Contributions*
All contributions are recorded at fair value and are considered to be available for operations of Foundation Communities unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the consolidated statements of activities as net assets released from restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contribution revenue for the year ended December 31, 2018 and 2017 includes $1,815,344 and $1,674,713, respectively, of interest imputed on thirty five no interest loans with interest imputed between 3% and 6% received from governmental entities (see Note 12). There is no effect on the change in net assets for the year ended December 31, 2018 and 2017, as offsetting interest expense has been recorded for the same amount.

*Functional Allocation of Expenses*
The expense information contained in the consolidated statements of activities is presented on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services using a variety of cost allocation techniques, such as time and effort.

*Federal Income Taxes*
FCI and its not-for profit affiliates are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. FCI and its not-for profit affiliates did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2018 and 2017. Skyline LLC, M Station LLC, Shady Oaks LLC, FC Downtown Studios Housing, LLC, and FC Homestead LLC are for profit entities solely owned by FCI. As of December 31, 2018 and 2017, there was no significant tax liability related to these for profit entities. No provision for income taxes has been included in Foundation Communities' consolidated financial statements. Foundation Communities is subject to routine examinations of its returns; however, there are no examinations currently in progress.

*Recently Adopted Accounting Pronouncement*
In August 2016, the FASB issued Accounting Standards Updates ("ASU") ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires presentation on the face of the consolidated statements of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the previously required three classes of net assets, unrestricted, temporarily restricted, and permanently restricted. Entities are also required to provide enhanced disclosures about liquidity, Board-designated amounts, and expense by both their natural and functional classification. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. During the year ended December 31, 2018, management implemented the new standard, the effect of which is reflected in the consolidated financial statements and within the footnotes.

As of December 31, 2017, reclassifications driven by the adoption of ASU No. 2016-14 consisted of amounts previously reported as unrestricted and temporarily or permanently restricted net assets, which are now presented as net assets without donor restrictions and with donor restrictions, respectively.

*Recently Issued Accounting Pronouncements*
In May 2014 and August 2015, the FASB issued Accounting Standards Updates ("ASU") No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. Foundation Communities will fully adopt the new standard in 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of operations for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. Foundation Communities is currently evaluating the impact the standard will have on its consolidated financial statements.

*Reclassifications*
Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets were unchanged due to these reclassifications.

**Note 3: Liquidity and Availability of Financial Assets**

As of December 31, 2018, Foundation Communities' financial assets available within one year for general expenditure were as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 15,475,354 |
| Short-term investments | 2,441,554 |
| Trade receivable | 3,375,911 |
| Grants and pledges receivable | 3,225,773 |
| Total financial assets available within one year | $ 24,518,592 |
| Less amounts unavailable for general expenditure within one year, due to: | |
| Board-designated amount (Note 5) | $ (3,361,000) |
| Total amounts unavailable for general expenditure within one year | (3,361,000) |
| Total financial assets available to management for general expenditure within one year | $ 21,157,592 |

Foundation Communities' invests its cash reserves in a manner which will preserve and protect the principal balance while earning an appropriate rate of return through investments such as certificates of deposit, money market accounts or treasury backed mutual funds with immediate availability. Additionally, Foundation Communities has three lines of credit with total available credit of $17,200,000, of which, nothing has been drawn on as of December 31, 2018.

## Note 4: Concentrations of Credit Risk

Financial instruments which potentially subject Foundation Communities to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. Foundation Communities places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Investments are exposed to various risks, such as interest rate market and credit risks. Due to the level of risk associated with these investments, it is possible that changes in the near-term could materially affect the amounts reported in the consolidated statements of financial position. Foundation Communities does not maintain collateral for its receivables. One grantor accounted for 27% of grant receivables at December 31, 2018. Two grantors accounted for 51% of grant receivables at December 31, 2017.

## Note 5: Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

| | 2018 | 2017 |
|---|---|---|
| Cash available for operations | $ 2,977,802 | $ 2,882,609 |
| IDA/AFI designated cash * | 89,565 | 179,875 |
| Reserve for contingencies ** | 3,460,850 | 2,800,055 |
| Reserve for security deposits | 725,451 | 679,383 |
| Reserve for Real Estate Growth Fund*** | 5,398,679 | 3,984,402 |
| Temporarily restricted cash balance | 2,717,550 | 3,708,019 |
| Permanently restricted cash balance | 105,457 | 105,457 |
| Total | $ 15,475,354 | $ 14,339,800 |

*FCI maintains separate accounts for the funds designated for the resident matched savings program, which provide matching funds to residents who save money for a qualified purchase of a home, education, or small business purpose.

**FCI maintains a central reserve for all affiliated properties to cover possible contingencies for replacements and cash flow shortages due to market fluctuations or unexpected expenses on their affiliates at a board designated level of at least $1,000 per unit. Properties with excess cash flow make annual contributions to the central reserve.

***FCI set up a Real Estate Growth Fund in 2012 to provide a means of raising funds for future expansion of affordable housing projects. Initial funds were obtained from refinancing of Cherry Creek Duplexes and Buckingham refinancing in 2013.

## Note 6: Accounts Receivable

### Trade Receivables

Trade receivables represent primarily construction costs incurred by Foundation Communities to be reimbursed per contract terms with governmental agencies and loan bridged financing agreements. Trade receivables also include uncollected rents from residents at low-income housing properties, uncollected management fees from tax credit properties not included in the consolidated group and accruals of payroll related items. Trade receivables consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Construction progress billings | $ 2,886,994 | $ 2,011,947 |
| Uncollected rents | 53,108 | 22,512 |
| Uncollected management fees | 54,309 | 104,912 |
| Uncollected resident service fees | 325,500 | 156,000 |
| Uncollected partnership management fees | 56,000 | 27,299 |
| Total | $ 3,375,911 | $ 2,322,670 |

### Grants and Pledges

Grants and pledges receivable consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Grants | $ 2,420,963 | $ 3,972,219 |
| Undesignated pledges | 2,769,245 | 3,457,372 |
| Total | $ 5,190,208 | $ 7,429,591 |

The maturity of these receivables was as follows as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Due in less than one year | $ 3,225,773 | $ 6,140,720 |
| Due in one to five years | 1,815,018 | 1,264,871 |
| Due in more than five years | 149,417 | - |
| Total | $ 5,190,208 | $ 7,429,591 |

Reconciliation of the beginning and ending balances in grants and pledges receivable was as follows as of December 31:

| | |
|---|---|
| Balance, December 31, 2016 | $ 8,710,208 |
| Receipt of new grants and pledges | 15,812,859 |
| Payments on receivables | (16,965,202) |
| Write off uncollectible | (128,274) |
| Balance, December 31, 2017 | 7,429,591 |
| Receipt of new grants and pledges | 9,432,950 |
| Payments on receivables | (11,478,834) |
| Write off uncollectible | (193,499) |
| Balance, December 31, 2018 | $ 5,190,208 |

**Interest Receivable**

Interest receivable consists of interest accrued on notes receivable from tax credit partnerships not included in the consolidated group (see Notes 17, 18, 19, 20, 21, 22, 23, 24, 25, 26 and 27) consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Interest receivable - Skyline Terrace Housing, L.P. | $ 152,707 | $ 139,733 |
| Interest receivable - M Station Housing, L.P. | 524,290 | 514,583 |
| Interest receivable - Shady Oaks Housing, L.P. | 244,452 | 472,434 |
| Interest receivable - Capital Studios Housing, L.P. | 581,392 | 385,121 |
| Interest receivable - FC SW Housing, L.P. | 373,477 | 301,101 |
| Interest receivable - FC Southwest Trails Housing, L.P. | 457,222 | 349,901 |
| Interest receivable - FC Bluebonnet Studios Housing, L.P. | 833,534 | 583,096 |
| Interest receivable - FC Rutledge Spur Housing, L.P. | 734,612 | 544,560 |
| Interest receivable - FC Cardinal Point Housing, L.P. | 426,662 | 264,233 |
| Interest receivable - FC Mueller Housing, L.P. | 97,492 | 5,533 |
| Interest receivable - FC Waters Park Housing, L.P. | 42,548 | -- |
| Total | $ 4,468,388 | $ 3,560,295 |

**Notes Receivable**

Notes receivable from tax credit partnerships (see Notes 17, 18, 19, 20, 21, 22, 23, 24, 25, 26 and 27) plus one note receivable received through donation consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Note receivable - Skyline Terrace Housing, L.P. | $ 2,000,000 | $ 2,000,000 |
| Note receivable - Skyline Terrace Housing, L.P. | 1,450,000 | 1,450,000 |
| Note receivable - Skyline Terrace Housing, L.P. | 750,000 | 750,000 |
| Note receivable - Skyline Terrace Housing, L.P. | 850,000 | 850,000 |
| Note receivable - M Station Housing L.P. | 2,000,000 | 2,000,000 |
| Note receivable - M Station Housing L.P. | 3,000,000 | 3,000,000 |
| Note receivable - M Station Housing, L.P. | 1,500,000 | 1,500,000 |
| Note receivable - M Station Housing, L.P. | 325,000 | 325,000 |
| Note receivable - Shady Oaks Housing, L.P. | 3,000,000 | 3,000,000 |
| Note receivable - Shady Oaks Housing, L.P. | 2,550,000 | 2,550,000 |
| Note receivable - Capital Studios Housing, L.P. | 6,523,050 | 6,523,050 |
| Note receivable - Capital Studios Housing, L.P. | 1,000,000 | 1,000,000 |
| Note receivable - FC SW Housing, L.P. | 1,346,273 | 1,326,273 |
| Note receivable - FC SW Housing, L.P. | 1,000,000 | 1,000,000 |
| Note receivable - FC Southwest Trails Housing, L.P. | 999,000 | 2,533,851 |
| Note receivable - FC Southwest Trails Housing, L.P. | 2,045,690 | 2,045,690 |
| Note receivable - FC Bluebonnet Studios Housing, L.P. | 3,994,420 | 3,994,420 |
| Note receivable - FC Bluebonnet Studios Housing, L.P. | 1,430,000 | 1,430,000 |
| Note receivable - FC Bluebonnet Studios Housing, L.P. | 2,568,443 | 4,086,621 |
| Note receivable - FC Bluebonnet Studios Housing, L.P. | 1,500,000 | 1,500,000 |
| Note receivable - FC Bluebonnet Studios Housing, L.P. | 60,000 | -- |
| Note receivable - FC Rutledge Spur Housing, L.P. | 2,475,000 | 2,475,000 |
| Note receivable - FC Rutledge Spur Housing, L.P. | 500,000 | 500,000 |
| Note receivable - FC Rutledge Spur Housing, L.P. | 294,820 | 294,820 |
| Note receivable - FC Rutledge Spur Housing, L.P. | 1,725,000 | 2,535,413 |
| Note receivable - FC Rutledge Spur Housing, L.P. | 700,000 | 700,000 |
| Note receivable - FC Cardinal Point Housing, L.P. | 4,980,480 | 5,219,318 |
| Note receivable - FC Mueller Housing, L.P. | 4,000,000 | 960,731 |
| Note receivable - FC Mueller Housing, L.P. | 944,711 | 507,926 |
| Note receivable - FC Waters Park Housing, L.P. | 4,238,914 | -- |
| Total | $ 59,750,801 | $ 56,058,113 |

**Development Fees Receivable**

Foundation Communities earns development fees on new low-income housing projects. Unpaid balances upon construction completion bear terms that payments are subject to cash flow from the property. Development fees receivable consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Development fees receivable - M Station Housing, L.P. | $ -- | $ 123,775 |
| Development fees receivable - Shady Oaks Housing, L.P. | -- | 45,418 |
| Development fees receivable - Capital Studios Housing, L.P. | 155,546 | 356,525 |
| Development fees receivable - FC Southwest Trails Housing, L.P. | 982,228 | 1,220,181 |
| Development fees receivable - FC Bluebonnet Studios Housing, L.P. | 955,957 | 1,055,133 |
| Development fees receivable - FC Rutledge Spur Housing, L.P. | 200,000 | 2,083,829 |
| Development fees receivable - FC Cardinal Point Housing, L.P. | 463,532 | 1,563,448 |
| Total | $ 2,757,263 | $ 6,448,309 |

## Note 7: Investment in Partnerships

Investment in partnerships consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Investment in Skyline Terrace Housing, L.P. | $ 1,362,589 | $ 1,362,612 |
| Investment in M Station Housing, L.P. | (645) | (579) |
| Investment in Shady Oaks Housing, L.P. | (476) | (451) |
| Investment in Capital Studios Housing, L.P. | (174) | (137) |
| Investment in FC SW Housing, L.P. | 721 | 805 |
| Investment in FC Southwest Trails Housing, L.P. | 855 | 911 |
| Investment in FC Bluebonnet Studios Housing, L.P. | 828 | 890 |
| Investment in FC Rutledge Spur Housing, L.P. | 776 | 836 |
| Investment in FC Cardinal Point Housing, L.P. | 906 | 988 |
| Investment in FC Mueller Housing, L.P. | 1,010 | 1,000 |
| Investment in FC Waters Park Housing, L.P./FC5 | (2,290) | – |
| Total | $ 1,364,100 | $ 1,366,875 |

These investments were recorded at fair value using the income approach and were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as follows:

| | |
|---|---|
| Balance, December 31, 2016 | $ 1,366,440 |
| Investment in new partnership | 1,000 |
| Equity in net partnerships loss | (565) |
| Balance, December 31, 2017 | 1,366,875 |
| Investment in new partnerships | 1,000 |
| Equity in net partnerships loss | (3,775) |
| Balance, December 31, 2018 | $ 1,364,100 |

## Note 8: Property and Equipment

Property and equipment consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Building and improvements | $ 119,287,230 | $ 104,596,555 |
| Construction and renovations in progress | 51,777 | 2,192,562 |
| Furniture, appliances, and equipment | 7,488,076 | 7,114,261 |
| | 126,827,083 | 113,903,378 |
| Less accumulated depreciation | (78,194,898) | (72,884,010) |
| | 48,632,185 | 41,019,368 |
| Land | 15,582,337 | 9,301,763 |
| Property and equipment, net | $ 64,214,522 | $ 50,321,131 |

Depreciation expense was approximately $5,400,000 and $4,990,000 for the years ended December 31, 2018 and 2017, respectively.

## Note 9: Intangible Assets

Intangible assets consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| Organization costs | $ 27,026 | $ 27,026 |
| Less accumulated amortization | (22,641) | (21,749) |
| Intangibles assets, net | $ 4,385 | $ 5,277 |

Amortization expense was approximately $900 for each of the years ended December 31, 2018 and 2017.

## Note 10: Goodwill

On March 13, 2015, CTSWA acquired 99.99% ownership of SWA Housing, Ltd. No consideration was provided to SWA Housing, Ltd. limited partners. Goodwill of $5,204,619 arising from the acquisition was assigned to the acquiring affiliate. No impairment existed at December 31, 2018 or 2017.

The remaining $697,905 recorded as goodwill on the consolidated statements of financial position as of December 31, 2018 and 2017, relates to the acquisition of the 99.99% ownership of Searight Park, Ltd by FC 2 on December 31, 2012. No impairment existed at December 31, 2018 or 2017. In November 2013, Searight Park, Ltd. was dissolved and the Trails at the Park Apartments were transferred to CTSHC, the former general partner in the partnership and affiliate of Foundation Communities.

## Note 11: Notes Payable

Notes payable consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| **Cherry Creek:** | | |
| Promissory note, with a fixed interest rate of 3.50%, collateralized by land, buildings and improvements, furniture and equipment, all interest in tenant leases and income leases, and income from the property. Principal and interest payable in monthly installments of $25,107; due December 31, 2027. | $ 2,338,202 | $ 2,552,385 |
| Debt issuance costs, net of amortization. | (17,260) | (19,178) |
| **Buckingham:** | | |
| Promissory note, with a floating LIBOR interest rate which was swapped for a fixed interest rate of 3.30%, collateralized by land, buildings and improvements, furniture and equipment, all interest in tenant leases, and income from the property. Principal and interest payable in monthly installments of $33,333; due January 5, 2028. | 3,633,334 | 4,033,333 |
| Debt issuance costs, net of amortization. | (26,475) | (29,415) |
| **Shadow Brook:** | | |
| Promissory note, bearing interest at 4.5%, collateralized by land, buildings and improvements, furniture and equipment, all interest in tenant leases, and income from the property. Principal and interest payable in monthly installments of $24,972; due August 1, 2029. | 2,528,842 | 2,708,662 |
| Debt issuance costs, net of amortization. | (59,463) | (65,082) |

| | | |
|---|---|---|
| **Village Green:** | | |
| Promissory note, with a floating LIBOR interest rate which was swapped for a fixed interest rate of 5.75%, collateralized by land, buildings and improvements, furniture and equipment, all interest in tenant leases and income leases, and income from the property. Principal and interest payable in monthly installments of $33,500; remaining balance payable February 5, 2028. | 2,858,417 | 3,089,865 |
| Debt issuance costs, net of amortization. | (132,456) | (149,837) |
| **Central Texas Scaright Housing Corp. (Trails at the Park):** | | |
| Promissory note, with a fixed interest rate of 3.5%, collateralized by land, buildings and improvements, furniture and equipment, all interest in tenant leases and income leases, and income from the property. Principal and interest payable in monthly installments of $40,736; due November 5, 2030. | 4,758,786 | 5,074,755 |
| Debt issuance costs, net of amortization. | (89,382) | (127,572) |
| **SWA Housing, Ltd. (Southwest Trails):** | | |
| Promissory note, with a fixed interest rate of 4.27%, collateralized by land, buildings and improvements, furniture and equipment, all interest in tenant leases and income leases, and income from the property. Principal and interest payable in monthly installments of $37,847; remaining balance payable July 5, 2032. | 4,657,081 | 4,903,808 |
| Debt issuance costs, net of amortization. | (54,289) | (58,310) |
| **FCI (Expansion Fund - Note 1):** | | |
| Promissory note in the amount of $3,000,000, uncollateralized, with initial due date of October 17, 2016, extended to November 1, 2020, bearing an interest rate of 0%. Payment due at maturity. | 3,000,000 | 3,000,000 |
| **FCI (Expansion Fund - Note 2):** | | |
| Promissory note in the amount of $2,000,000, uncollateralized, with a maturity date of November 1, 2018, bearing an interest rate of 0%. Monthly payments of $33,333 through maturity date. | -- | 333,334 |
| **FCI (EQ2):** | | |
| Promissory note in the amount of $750,000, uncollateralized, with a maturity date of September 9, 2022, bearing an interest rate of 2%. Interest payable quarterly in payments of $3,750 through maturity date with balance due at maturity. | 750,000 | 750,000 |
| **FCI (Airport Blvd. property):** | | |
| Promissory note in the original amount of $1,200,000 with a maturity date of July 1, 2026, bearing an interest rate of 3.27%, collateralized by land, buildings and improvements, furniture and equipment. Monthly payments of $6,819 through maturity date. | 1,094,105 | 1,138,651 |

| | | |
|---|---|---|
| **FCI (EQ2):** | | |
| Promissory note in the amount of $250,000, uncollateralized, with a maturity date of May 3, 2022, bearing an interest rate of 2%. Interest payable quarterly in payments of $1,250 through maturity date with balance due at maturity. | 250,000 | -- |
| **FCI (Mission Plaza property):** | | |
| Promissory note in the original amount of $7,000,000 with a maturity date of September 19, 2028, bearing an interest rate of 4.25%, collateralized by land, buildings and improvements, furniture and equipment. Monthly payments of $43,576 through maturity date. | 6,944,273 | -- |
| | $ 32,433,715 | $ 27,135,399 |

The loan agreements contain various covenants, including the requirement to maintain certain financial ratios. Failure to comply with the covenants could result in the debt being called by the lender.

Future required principal payments on debt obligations were as follows as of December 31, 2018:

| | Principal | Amortization of Debt Issuance Costs | Notes Payable, net |
|---|---|---|---|
| 2019 | $ 1,962,143 | $ (62,037) | $ 1,900,106 |
| 2020 | 4,989,876 | (62,037) | 4,927,839 |
| 2021 | 2,069,345 | (62,037) | 2,007,308 |
| 2022 | 3,131,626 | (62,037) | 3,069,589 |
| 2023 | 2,221,557 | (62,037) | 2,159,520 |
| Thereafter | 18,438,493 | (69,140) | 18,369,353 |
| Total | $ 32,813,040 | $ (379,325) | $ 32,433,715 |

## Note 12: Forgivable Loans Payable

Foundation Communities receives financial assistance for land acquisition and property development costs from the City of Austin administered through the CHDO Program of Austin Housing Finance Corporation ("AHFC"), Texas Department of Housing and Community Affairs ("TDHCA") and other grantors. Under the terms of agreements with AHFC, TDHCA and other grantors, funds are provided to Foundation Communities in the form of forgivable loans. The agreements provide for the forgivable loan to be secured by deeds of trust on the property acquired under the agreement. The loan under each agreement is forgiven upon adhering to the Land Use Restrictions to provide housing to income qualified residents for the time period specified in each agreement. Amounts received are reported as forgivable loans payable until all conditions necessary to secure the forgiveness of the debt are met, at which time the forgivable loans are recognized as grant revenue. Forgivable loans payable represent amounts received for which all conditions necessary to secure the forgiveness of the debt had not yet been met.

Forgivable loans payable consisted of the following as of December 31:

| | 2018 | 2017 |
|---|---|---|
| **Crossroads:** | | |
| Promissory note bearing no interest, collateralized by land, building and improvements, furniture and equipment, all interest in tenant leases and income from the property. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the restrictive covenants until the maturity date of June 17, 2108. Foundation Communities records interest expense based on the imputed rate of 4.5%, the market rate of interest at the origination date. | $ 900,000 | $ 900,000 |
| Debt issuance costs, net of amortization. | (62,593) | (66,931) |
| **CTSWA (Southwest Trails):** | | |
| Promissory note, bearing interest at 6.0%, collateralized by land, buildings and improvements, furniture and equipment, all interest in tenant leases, and income from the property. Principal and interest payable in two installments, the first on December 21, 2011, unless forgiven, and the second and final on December 21, 2020. Provided the maker has not defaulted on any of the terms or conditions of the note on the applicable due date, said installment payments shall be forgiven. | 500,000 | 500,000 |
| Promissory note in the amount of $596,506 due February 28, 2021, bearing no interest, collateralized by land, buildings and improvements. No monthly installments are due on the loan. Rather, the lender will forgive the loan upon compliance with 20 year affordability requirements identified in a Certification Affidavit provided in the final application. Foundation Communities records interest expense based on the imputed rate of 6.0%, the market rate of interest at the origination date. | 596,506 | 596,506 |
| **Garden Terrace:** | | |
| Promissory note in the amount of $1,600,000 with an initial due date of February 28, 2032, bearing no interest, collateralized by land, buildings and improvements. No monthly installments are due on the loan. Rather, the lender will extend the loan to February 28, 2064 upon compliance with 30 year affordability requirements identified in the loan documentation. Foundation Communities records interest expense based on the imputed rate of 6.0%, the market rate of interest at the origination date. | 1,600,000 | 1,600,000 |
| Promissory note in the amount of $1,000,000 with a renewed maturity date of January 9, 2023, bearing no interest, collateralized by land, buildings and improvements. No monthly installments are due on the loan. Rather, the lender will forgive the balance upon maturity contingent upon the property adhering to Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 6.0%, the market rate of interest at the origination date. | 1,000,000 | 1,000,000 |

| | | |
|---|---|---|
| Promissory note, bearing no interest, collateralized by land, buildings and improvements, furniture and equipment, all interest in tenant leases, and income from the property. Payment of principal and interest deferred until February 28, 2032. Foundation Communities records interest expense based on the imputed rate of 6.0%, the market rate of interest at the origination date. | 175,750 | 175,750 |
| Promissory note in the amount of $500,000 due June 1, 2038, bearing no interest, collateralized by land, buildings and improvements. No monthly installments are due on the loan. Rather, the lender will forgive the loan upon compliance with 30 year affordability requirements identified in a Certification Affidavit provided in the final application. Foundation Communities imputes 6% interest expense based on the market rate of interest at the origination date. | 500,000 | 500,000 |
| Promissory note in the amount of $176,070 with a due date of September 30, 2035, bearing no interest, collateralized by land, buildings and improvements owned by Garden Terrace Housing Corp. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 176,070 | 176,070 |
| Promissory note in the amount of $1,200,000 with a due date of September 30, 2055, bearing no interest, collateralized by land, buildings and improvements owned by Garden Terrace Housing Corp. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 1,200,000 | 839,070 |
| Promissory note in the amount of $1,000,000 with a due date of September 1, 2048, bearing no interest, collateralized by land, buildings and improvements owned by Garden Terrace Housing Corp. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 1,000,000 | 440,110 |
| **Spring Terrace** | | |
| Promissory note in the amount of $786,446 with an initial due date of December 19, 2035, bearing no interest. No monthly installments are due on the loan. At maturity, the payment terms are to be restructured based on actual net operating income. Foundation Communities records interest expense based on the imputed rate of 6.0%, the market rate of interest at the origination date. | 786,446 | 786,446 |
| Promissory note up to an amount of $682,010 with an initial due date of December 19, 2035, bearing no interest. No monthly installments are due on the loan. At maturity, the payment terms are to be restructured based on actual net operating income. Foundation Communities records interest expense based on the imputed rate of 6.0%, the market rate of interest at the origination date. | 682,010 | 682,010 |

| | | |
|---|---|---|
| **FCI (Skyline Terrace):** | | |
| Promissory note in the amount of $1,450,000 with an initial due date of January 1, 2048, bearing no interest, collateralized by land, buildings, and improvements owned by Skyline Terrace Housing, L.P. No monthly installments are due on the loan. Rather, the lender will waive repayment of principal contingent upon the property adhering to the Land Use Restriction Agreement until the maturity date. Foundation Communities records interest expense based on the imputed rate of 6.0%, the market rate of interest at the origination date. | 1,450,000 | 1,450,000 |
| Promissory note in the amount of $1,118,309 with an initial due date of August 23, 2036, bearing no interest, collateralized by land, buildings, and improvements owned by Skyline Terrace Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 6.0%, the market rate of interest at the origination date. | 1,118,309 | 1,118,309 |
| Promissory note in the amount of $881,691 with an initial due date of March 1, 2039, bearing no interest, collateralized by land, buildings, and improvements owned by Skyline Terrace Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 6.0%, the market rate of interest at the origination date. | 881,691 | 881,691 |
| Promissory note in the amount of $1,516,850 with an initial due date of June 12, 2048, bearing no interest, collateralized by land, buildings, and improvements owned by Skyline Terrace Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 4.5%, the market rate of interest at the origination date. | 1,516,850 | 1,516,850 |
| **FCI (M Station):** | | |
| Promissory note in the amount of $2,000,000 with a due date of November 30, 2108, bearing 3% interest, secured by land for the M Station project. Payment due at maturity or date FCI is required to repay AHFC. | 2,000,000 | 2,000,000 |
| **FCI (Shady Oaks):** | | |
| Promissory note in the amount of $3,000,000 with a due date of January 1, 2109, bearing no interest, collateralized by land, buildings and improvements owned by Shady Oaks Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 3,000,000 | 3,000,000 |

| | | |
|---|---|---|
| **FCI (Capital Studios):** | | |
| Promissory note in the amount of $4,660,000 with a due date of July 1, 2053, bearing no interest, collateralized by land, buildings and improvements owned by Capital Studios Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 4,660,000 | 4,660,000 |
| **FCI (Live Oak Trails):** | | |
| Promissory note in the amount of $1,250,000 with a due date of September 1, 2054, bearing no interest, collateralized by land, buildings and improvements owned by FC Southwest Trails Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 1,250,000 | 1,250,000 |
| Promissory note in the amount of $295,690 with a due date of July 31, 2055, bearing no interest, collateralized by land, buildings and improvements owned by FC Southwest Trails Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 295,690 | 295,690 |
| Promissory note in the amount of $500,000 with a due date of July 31, 2055, bearing no interest, collateralized by land, buildings and improvements owned by FC Southwest Trails Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 500,000 | 500,000 |
| **FCI (Bluebonnet):** | | |
| Promissory note in the amount of $2,000,000 with a due date of September 1, 2054, bearing no interest, collateralized by land, buildings and improvements owned by FC Bluebonnet Studios Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 2,000,000 | 2,000,000 |

| | | |
|---|---|---|
| Promissory note in the amount of $1,000,000 with a due date of September 1, 2054, bearing no interest, collateralized by land, buildings and improvements owned by FC Bluebonnet Studios Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 1,000,000 | 1,000,000 |
| Promissory note in the amount of $294,420 with a due date of June 30, 2035, bearing no interest, collateralized by land, buildings and improvements owned by FC Bluebonnet Studios Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 294,420 | 294,420 |
| Promissory note in the amount of $700,000 with a due date of June 30, 2035, bearing no interest, collateralized by land, buildings and improvements owned by FC Bluebonnet Studios Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 700,000 | 700,000 |
| **FCI (Lakeline):** | | |
| Promissory note in the amount of $2,475,000 with a due date of October 1, 2054, bearing no interest, collateralized by land, buildings and improvements owned by FC Rutledge Spur Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 2,475,000 | 2,475,000 |
| Promissory note in the amount of $500,000 with a due date of June 30, 2055, bearing no interest, collateralized by land, buildings and improvements owned by FC Rutledge Spur Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 500,000 | 500,000 |
| Promissory note in the amount of $294,820 with a due date of June 30, 2035, bearing no interest, collateralized by land, buildings and improvements owned by FC Rutledge Spur Housing, L.P. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal contingent upon the property adhering to the Restrictive Covenants until the maturity date. Foundation Communities records interest expense based on the imputed rate of 3%, the market rate of interest at the origination date. | 294,820 | 294,820 |

| | | |
|---|---|---|
| **FC Austin One Housing Corp (Arbor Terrace):** | | |
| Promissory note in the amount of $7,260,290 with a due date of July 1, 2042, bearing no interest, collateralized by land, buildings and improvements owned by AHFC and leased to FC Austin One Housing Corp. Annual payments will become due beginning July 1, 2013. No monthly installments are due on the loan. Rather, the lender will defer payments and forgive the principal each year contingent upon the property adhering to the restrictive covenants until the maturity date. Interest is imputed at 4% based upon the market rate of interest at the origination date. | 5,551,431 | 5,782,742 |
| Promissory note in the amount of $2,000,000 with a due date of June 30, 2110, bearing no interest, collateralized by land, buildings and improvements owned by AHFC and leased to FC Austin One Housing Corporation. Interest is imputed at 4% based upon the market rate of interest at the origination date. | 2,000,000 | 2,000,000 |
| **FCI (Cardinal Point):** | | |
| Promissory note in the amount of $2,575,000 with a due date of August 31, 2055, bearing no interest, collateralized by land, buildings and improvements owned by AHFC and leased to Foundation Communities. Interest is imputed at 3% based upon the market rate of interest at the origination date. | 2,575,000 | 2,575,000 |
| **FCI (Jordan at Mueller):** | | |
| Promissory note in the amount of $4,000,000 with a due date of August 31, 2055, bearing no interest, collateralized by land, buildings and improvements owned by AHFC and leased to Foundation Communities. Interest is imputed at 3% based upon the market rate of interest at the origination date. | 4,000,000 | 960,731 |
| **FCI (Waterloo Terrace):** | | |
| Promissory note in the amount of $3,200,000 with a due date of December 31, 2060, bearing no interest, collateralized by land, buildings and improvements owned by AHFC and leased to Foundation Communities. Interest is imputed at 3% based upon the market rate of interest at the origination date. | 3,200,000 | -- |
| | $ 50,317,400 | $ 43,384,284 |

There are no future required principal payments under the forgivable loans. Future amortization of debt issuance costs was as follows as of December 31, 2018:

| | |
|---|---|
| 2019 | $ 4,338 |
| 2020 | 4,338 |
| 2021 | 4,338 |
| 2022 | 4,338 |
| 2023 | 4,338 |
| Thereafter | 40,903 |
| Total | $ 62,593 |

## Note 13: Line of Credit

FCI has three lines of credit agreements with three separate financial institutions.

The first line of credit provides for a variable rate of interest (2.950% at December 31, 2018 and 2017) and matures on January 14, 2021. The credit limit is $5,000,000 and the line is collateralized by the land, building and improvements owned by Buckingham. There were no amounts outstanding and no draws during the year under this line of credit as of December 31, 2018 or 2017.

The second line of credit provides for a variable rate of interest (LIBOR plus 2.65%) and matures on May 26, 2020. The credit limit is $6,000,000 and the line is collateralized by the land, building and improvements owned by Shadow Brook. As of December 31, 2018 and 2017, there were no amounts outstanding and no draws during the years ended December 31, 2018 or 2017.

The third line of credit provides for a variable rate of interest (LIBOR plus 2.25%) with no maturity date. The line of credit is collateralized by the Central Reserve fund held by FCI in an amount not to exceed $6,200,000. There were no amounts outstanding and no draws during the year under this line of credit as of December 31, 2018 or 2017.

## Note 14: Interest Rate Swap Agreements

In 2013, Buckingham entered into an interest rate swap agreement with a bank to hedge their exposure to interest rate fluctuations resulting from their variable interest rate note payable agreements. In 2008, Village Green entered into a similar agreement. The two interest rate swaps were valued using the market approach and inputs were considered level 2 in the fair value hierarchy.

Level 2 hierarchy inputs are inputs other than quoted prices in active markets for identical assets or liabilities that are observable for the asset or liability either directly or indirectly. In the case of the interest rate swap agreements, the observable inputs are the relevant interest rates. Under the interest rate swap agreements, the affiliates agree to exchange the LIBOR based variable interest payment charged on the note payable agreements for a fixed interest payment that approximates 3% on Buckingham and 6% on Village Green. The original notional amount of the interest rate swap agreements approximated the respective outstanding principal balances at the time the agreements were entered into. The original notional amounts decrease as principal payments are made on the underlying note payable agreements. The interest rate swap agreements expire in January 2028 and February 2028 for Buckingham and Village Green, respectively. In the event of default, Foundation Communities would be exposed to interest rate fluctuations. Foundation Communities does not anticipate nonperformance by the bank. Foundation Communities records the estimated fair value of these swap agreements on the consolidated statements of financial position. The fair value at December 31, 2018 and 2017 resulted in an asset of $70,042 and $25,700, respectively, for Buckingham; and liabilities of $305,471 and $418,002 for Village Green, respectively. The change in the fair value of the interest rate swap agreements is recorded as an adjustment to interest expense.

## Note 15: Net Assets with Temporary Donor Restrictions

Net assets with temporary donor restrictions at December 31, 2018 and 2017 were restricted for the following purposes:

| | 2018 | 2017 |
|---|---|---|
| Affordable housing programs | $ 14,464,484 | $ 14,638,980 |
| Supportive housing programs | 899,263 | 1,938,425 |
| Asset building programs | 758,078 | 1,311,785 |
| Learning center programs | 670,126 | 1,075,212 |
| Healthy living programs | 199,885 | -- |
| Total temporarily restricted net assets | $ 16,991,836 | $ 18,964,402 |

Included in net assets with temporary donor restrictions are eleven subsidies from the Federal Home Loan Bank ("FHLB") and AHFC totaling $10,725,000 at December 31, 2018 and 2017. Information from these subsidies is included below.

In 2006, the FHLBD granted a direct subsidy of $350,000 to Spring Terrace. The FHLBD Grant and Subsidy agreements require the Spring Terrace property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until November 7, 2021. In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2006, the Federal Home Loan Bank of San Francisco ("FHLBS") granted a direct subsidy of $750,000 to FCI. The FHLBS Grant and Subsidy agreements require the Skyline Terrace property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until September 1, 2021. In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2009, the FHLBS granted a direct subsidy of $300,000 to FCI. The FHLBS Grant and Subsidy agreements require the Garden Terrace property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until January 16, 2023. In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2011, the FHLBS granted a direct subsidy of $1,500,000 to FCI. The FHLBS Grant and Subsidy agreements require the M Station property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until fifteen years following the date construction was completed (September 2, 2011). In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2012, the FHLBS granted a direct subsidy of $1,000,000 to FCI. The FHLBS Grant and Subsidy agreements require the Sierra Vista property owned by Shady Oaks Housing, L.P. to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until fifteen years following the date construction was completed (May 2012). In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2012, the FHLBA granted a direct subsidy of $1,000,000 to Arbor Terrace. The FHLBA Grant and Subsidy agreements require the Arbor Terrace property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until fifteen years following the date construction was completed (August 2012). In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2014, the FHLBS granted a direct subsidy of $1,000,000 to FCI. The FHLBS Grant and Subsidy agreements require the Capital Studios property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until fifteen years following the date construction was completed (November 2014). In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2015, the FHLBS granted a direct subsidy of $1,000,000 to FCI. The FHLBS Grant and Subsidy agreements require the Homestead Oaks property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until fifteen years following the date construction was completed (December 2015). In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2016, the FHLBS granted a direct subsidy of $1,500,000 to FCI. The FHLBS Grant and Subsidy agreements require the Bluebonnet Studios property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until fifteen years following the date construction was completed (December 2016). In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2017, the FHLBS granted a direct subsidy of $1,000,000 to FCI. The FHLBS Grant and Subsidy agreements require the Lakeline Station property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until fifteen years following the date construction was completed (December 2016). In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2017, the FHLBS granted a direct subsidy of $325,000 to Garden Terrace. The FHLBS Grant and Subsidy agreements require the Garden Terrace property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until fifteen years following the date construction was completed in early 2018. In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

In 2017, the FHLBS granted a direct subsidy of $1,000,000 to FCI. The FHLBS Grant and Subsidy agreements require the Cardinal Point property to be occupied by and affordable for households whose income is at or below certain levels as specified in the agreement. This compliance requirement will remain in effect until fifteen years following the date construction was completed in December 2017. In the event of sale of the property or noncompliance with the aforementioned compliance requirements, recapture of the subsidy is required.

FCI was awarded a $4,000,000 grant in September 2016 by the Community Development Financial Institutions Fund for a Capital Magnet Fund (CMF). These funds were provided to capitalize an affordable housing fund. FCI will use these funds to assist with the building and development of 833 units of affordable housing at various low-income housing properties over the next five years. All funds were committed to projects as of December 2018. CMF funds yet to be disbursed were $1,940,000 and $2,580,000 as of December 2018 and 2017, respectively.

## Note 16: Net Assets with Permanent Donor Restrictions

As of December 31, 2018 and 2017, Foundation Communities had been awarded a total of $3,232,457 and $4,232,457, respectively, in capital fund grants by Neighborworks America. These funds were awarded to establish and maintain a capital fund for the expressed purpose of funding the costs of acquiring, constructing, or rehabilitating real properties, and funding pre-development costs such as architectural and engineering. Under the terms of the agreement, loan repayments and proceeds from capital projects must be returned to the capital fund to ensure its perpetuity; thus, these funds have been accounted for as permanently restricted. Should Foundation Communities fail to comply with any of the terms of the agreement, or become defunct, the remaining grant funds, proceeds, and the loan and capital projects portfolios representing the uses of these funds shall revert back to Neighborworks America. Neighborworks America issued capital conversions to reduce the permanently restricted funds by $1,000,000 to make those funds available for operations during both years ending 2018 and 2017.

Capital fund grants are originally received by FCI and then passed through to the affiliates in the form of notes or grants. The Capital Fund consisted of the following at December 31:

| | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | $ 105,457 | $ 105,547 |
| Notes receivable from: | | |
| Shady Oaks Housing, LP | 500,000 | 500,000 |
| M Station Housing, LP | -- | 1,000,000 |
| Capital Studios Housing, LP | 1,197,000 | 1,197,000 |
| Bluebonnet Studios Housing, LP | 1,430,000 | 1,430,000 |
| Total permanently restricted net assets | $ 3,232,457 | $ 4,232,457 |

## Note 17: Related Party Transactions - Skyline Terrace Housing, L.P.

### Note Receivable

Skyline Terrace Housing, L.P. received funding of $5,050,000 from FCI for the purpose of paying development and renovations for the affordable housing project. FCI received $1,450,000 from TDHCA, $750,000 from the FHLBS (see Note 15) and $2,000,000 ($1,118,309 and $881,691) from AHFC. An additional $850,000 was subsequently loaned to Skyline Terrace Housing, L.P. by FCI. The principal amounts bears interest at 0.25%. The notes do not have a due date; however, they must be paid upon winding up of Skyline Terrace Housing, L.P. As of December 31, 2018 and 2017, the outstanding principal balance was $5,050,000, and interest of $152,707 and $139,733, respectively, was receivable.

### Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities was entitled to a development fee of $898,000. As of December 31, 2018 and 2017, there was no outstanding balance.

### Property Management Fee

As compensation for managing the property, Foundation Communities is entitled to a property management fee in the amount of 6% of the monthly rental collections. During the years ended December 31, 2018 and 2017 Foundation Communities earned $39,110 and $37,162 in total fees and $3,281 and $3,003 were receivable at December 31, 2018 and 2017, respectively.

## Note 18: Related Party Transactions - M Station Housing, L.P.

### Note Receivable

M Station Housing, L.P. received funding of $6,825,000 from FCI for the purpose of paying for land acquisition and development costs for the affordable housing project. FCI received $2,000,000 from AHFC and those funds are included in the balance from M Station. An additional $3,000,000 received by M Station was loaned by FCI in 2011. Funding sources include $1,500,000 from FHLBS (see Note 15), $1,000,000 from Neighborworks America (see Note 16) and $2,000,000 from private donors and FCI's unrestricted funds. Note terms are annual payments to the extent of available cash flow. The principal amounts bears interest at 1% on $6,500,000 and 2% on an additional loan of $325,000. At December 31, 2018 and 2017, the outstanding principal balance was $6,825,000, and interest of $524,290 and $514,583, respectively, was receivable.

### Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $2,266,571. The unpaid development fee bears no interest. Payments on the amounts due for the development fee are made from M Station Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. As of December 31, 2018 and 2017, $0 and $123,775, respectively, was receivable.

### Property Management Fee

As compensation for managing the property, Foundation Communities is entitled to a property management fee in the amount of 5% of the monthly rental collections. During the year ended December 31, 2018 and 2017 Foundation Communities earned $77,618 and $73,972, respectively, in total fees and $6,688 and $6,233 was receivable at December 31, 2018 and 2017, respectively.

### General Partnership Asset Management Fee

As compensation for management of the partnership, M Station, LLC is entitled to an asset management fee in the amount of $5,000 per year. Payment of the fees are subject to cash flow distribution rights as outlined in the Limited Partnership agreement. As of December 31, 2018 and 2017, $5,000 and $25,000 respectively, were receivable as a result of this fee.

## Note 19: Related Party Transactions - Shady Oaks Housing, L.P.

### Note Receivable

As of December 31, 2010, FCI had funded $3,000,000 received from AHFC to Shady Oaks Housing, L.P. for purpose of acquisition and development costs for the affordable housing project. In 2011 FCI loaned Shady Oaks an additional $2,550,000 for development costs. Note terms are annual payments to the extent of available cash flow. The principal amounts bears interest at 1%. At December 31, 2018 and 2017, the outstanding principal balance was $5,550,000 and interest of $244,452 and $472,434, respectively, was receivable at December 31, 2018 and 2017.

### Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $1,493,850 upon completion of construction and other requirements set forth in the partnership agreement. The unpaid development fee bears no interest. Payments on the amounts due for the development fee are made from Shady Oaks Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. As of December 31, 2018 and 2017, $0 and $45,418 was receivable, respectively.

Property Management Fee

As compensation for managing the property, Foundation Communities is entitled to a property management fee in the amount of 5.1% of the monthly rental collections. During the years ended December 31, 2018 and 2017, Foundation Communities received $105,777 and $100,914, respectively, in total fees. As of December 31, 2018 and 2017, $9,035 and $8,690 respectively, were receivable as a result of this fee.

General Partnership Asset Management Fee

As compensation for management of the partnership, Shady Oaks, LLC is entitled to an asset management fee in the amount of $5,000 per year. Payment of the fees are subject to cash flow distribution rights as outlined in the Limited Partnership agreement. As of December 31, 2018 and 2017, $5,000 and $30,000 respectively, were receivable as a result of this fee.

## Note 20: Related Party Transactions - Capital Studios Housing, L.P.

Note Receivable

As of December 31, 2018 and 2017, FCI had funded $8,833,133 to Capital Studios Housing, L.P. for purpose of acquisition and development costs for the affordable housing project. FCI received $4,660,000 from AHFC as well as $1,000,000 from FHLBS (see Note 15) and those funds are included in the balance from Capital Studios. Note terms are annual payments to the extent of available cash flow. The principal amounts bears interest at 3%. At December 31, 2018 and 2017 the outstanding principal balance was $7,523,050 and interest of $581,392 and $385,121, respectively, was receivable at December 31, 2018 and 2017.

Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $1,409,492 upon completion of construction and other requirements set forth in the partnership agreement. Deferred development fee accrues interest at 3% annually. Payments on the amounts due for the development fee are made from Capital Studios Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. As of December 31, 2018 and 2017, $155,546 and $356,525 was receivable and interest of $5,927 and $20,085 was accrued, respectively.

Property Management Fee

As compensation for managing the property, Foundation Communities is entitled to a property management fee in the amount of 6% of the monthly rental collections. During the years ended December 31, 2018 and 2017, Foundation Communities earned $60,523 and $56,884, respectively, in total fees. As of December 31, 2018 and 2017, $5,336 and $4,556 respectively, were receivable as a result of this fee.

## Note 21: Related Party Transactions - FC SW Housing, L.P. (Homestead)

Note Receivable

As of December 31, 2018 and 2017, FCI had funded $2,326,273 to FC SW Housing, L.P. for purpose of acquisition and development costs for the Homestead Apartments affordable housing project. FCI received $1,000,000 from FHLBS (see Note 15). Note terms are annual payments to the extent of available cash flow. The principal amounts bears interest at 3%. At December 31, 2018 and 2017, the outstanding principal balance was $2,346,273 and $2,326,273, respectively, and interest of $373,477 and $301,101, was receivable at December 31, 2018 and 2017, respectively.

Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $2,123,831 upon completion of construction and other requirements set forth in the partnership agreement. Payments on the amounts due for the development fee are made from FC SW Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. As of December 31, 2018 and 2017 there were no outstanding balances.

Property Management Fee

As compensation for managing the property, Foundation Communities is entitled to a property management fee in the amount of 5.25% of the monthly rental collections. During the years ended December 31, 2018 and 2017, Foundation Communities received $73,933 and $70,532, respectively, in total fees. As of December 31, 2018 and 2017, $6,251 and $5,843 respectively, were receivable as a result of this fee.

General Partnership Asset Management Fee

As compensation for management of the partnership, Homestead, LLC is entitled to an asset management fee in the amount of $5,000 per year. Payment of the fees are subject to cash flow distribution rights as outlined in the Limited Partnership agreement. As of December 31, 2018 and 2017, $10,000 and $5,000 was receivable as a result of this fee, respectively.

**Note 22: Related Party Transactions - FC Southwest Trails Housing, L.P. (Live Oak Trails)**

Note Receivable

As of December 31, 2018 and 2017, FCI had funded $5,029,541 to FC Southwest Trails Housing, L.P. for purpose of acquisition and development costs for the Live Oak Trails affordable housing project. FCI received $2,045,690 from AHFC and those funds are included in the balance from Live Oak. Note terms are annual payments to the extent of available cash flow. The principal amounts bear interest at 3%. At December 31, 2018 and 2017, the outstanding principal balance was $3,044,690 and $4,579,541, and interest of $457,222 and $349,901, respectively, was accrued at December 31, 2018 and 2017.

Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $1,220,181 upon completion of construction and other requirements set forth in the partnership agreement. The unpaid development fee bears no interest. Payments on the amounts due for the development fee are made from FC Southwest Trails Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. As of December 31, 2018 and 2017, $982,228 and $1,220,181 was receivable, respectively.

Property Management Fee

As compensation for managing the property, Foundation Communities is entitled to a property management fee in the amount of 6% of the monthly rental collections. During the years ended December 31, 2018 and 2017, Foundation Communities earned $30,142 and $27,230 in total fees, respectively. As of December 31, 2018 and 2017, $3,368 and $3,600, respectively, were receivable as a result of this fee.

Resident Supportive Services Fee

As compensation for supportive services provided to the residents living at the property, Foundation Communities, Inc. is entitled to a resident supportive service fee in the amount of $70,000 per year. Payment of the fees are subject to cash flow distribution rights as outlined in the Limited Partnership agreement. During each of the years ended December 31, 2018 and 2017, Foundation Communities earned $70,000. As of December 31, 2018 and 2017, $110,000 and $55,000, respectively, was receivable as a result of this fee.

## Note 23: Related Party Transactions - FC Bluebonnet Housing Studios, L.P. (Bluebonnet Studios)

### Note Receivable

As of December 31, 2018 and 2017, FCI had funded $11,011,041 to FC Bluebonnet Housing Studios, L.P. for purpose of acquisition and development costs for the Bluebonnet Studios affordable housing project. FCI received $3,994,420 from AHFC and $1,500,000 from FHLBS (See Note 15) and $60,000 from FCI Capital Magnet Fund (See Note 15) and those funds are included in the balance from Bluebonnet Studios. Note terms are annual payments to the extent of available cash flow. The principal amounts bears interest at 2.5%. At December 31, 2018 and 2017, the outstanding principal balance was $9,552,863 and $11,011,041, respectively, and interest of $833,534 and $583,096, respectively, was accrued at December 31, 2018 and 2017.

### Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $1,055,133 upon completion of construction and other requirements set forth in the partnership agreement. The unpaid development fee bears no interest. Payments on the amounts due for the development fee are made from FC Bluebonnet Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. As of December 31, 2018 and 2017, $955,957 and $1,055,133, respectively, was receivable.

### Property Management Fee

As compensation for managing the property, Foundation Communities is entitled to a property management fee in the amount of 6% of the monthly rental collections. During the years ended December 31, 2018 and 2017, Foundation Communities earned $47,363 and $41,802 in total fees, respectively. As of December 31, 2018 and 2017, $6,590 and $5,775 respectively, were receivable as a result of this fee.

### Resident Supportive Services Fee

As compensation for supportive services provided to the residents living at the property, Foundation Communities, Inc. is entitled to a resident supportive service fee in the amount of $70,000 per year. Payment of the fees are subject to cash flow distribution rights as outlined in the Limited Partnership agreement. During each of the years ended December 31, 2018 and 2017, Foundation Communities earned $70,000. As of December 31, 2018 and 2017, $84,000 and $42,000, respectively, was receivable as a result of this fee.

## Note 24: Related Party Transactions - FC Rutledge Spur Housing, L.P. (Lakeline Station)

### Note Receivable

As of December 31, 2018 and 2017, FCI had funded $6,505,233 to FC Rutledge Spur Housing, L.P. for purpose of acquisition and development costs for the Lakeline Station affordable housing project. FCI received $3,269,820 from AHFC and $700,000 from the FCI Capital Magnet Fund and those funds are included in the balance from Lakeline Station. Note terms are annual payments to the extent of available cash flow. The principal amounts bear interest at 3%. At December 31, 2018 and 2017, the outstanding principal balance was $5,694,820 and $6,505,233, respectively, and interest of $734,612 and $544,560, respectively, was accrued at December 31, 2018 and 2017.

### Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $2,083,829 upon completion of construction and other requirements set forth in the partnership agreement. The unpaid development fee bears no interest. Payments on the amounts due for the development fee are made from FC Rutledge Spur Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. As of December 31, 2018 and 2017, $200,000 and $2,083,829, respectively, was receivable.

Property Management Fee

As compensation for managing the property, Foundation Communities is entitled to a property management fee in the amount of 6% of the monthly rental collections. During the years ended December 31, 2018 and 2017, Foundation Communities earned $73,435 and $63,643 in total fees, respectively. As of December 31, 2018 and 2017, $7,575 and $6,910, respectively, were receivable as a result of this fee.

Resident Supportive Services Fee

As compensation for supportive services provided to the residents living at the property, Foundation Communities, Inc. is entitled to a resident supportive service fee in the amount of $70,000 per year. Payment of the fees are subject to cash flow distribution rights as outlined in the Limited Partnership agreement. During each of the years ended December 31, 2018 and 2017, Foundation Communities earned $70,000. As of December 31, 2018 and 2017, $118,000 and $59,000, respectively, was receivable as a result of this fee.

## Note 25: Related Party Transactions - FC Cardinal Point Housing, L.P. (Cardinal Point)

Note Receivable

As of December 31, 2018 and 2017, FCI had funded $5,219,318, to FC Cardinal Point Housing L.P for purpose of acquisition and development costs for the Cardinal Point affordable housing project. FCI received $1,875,000 from AHFC and those funds are included in the balance from Cardinal Point. Note terms are annual payments to the extent of available cash flow. The principal amounts bear interest at 3% and $4,980,480 and $5,219,318 was outstanding as of December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, $426,662 and $264,233 was receivable, respectively.

Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $2,083,829 upon completion of construction and other requirements set forth in the partnership agreement. The unpaid development fee bears no interest. Payments on the amounts due for the development fee are made from FC Cardinal Point Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. As of December 31, 2018 and 2017, $463,532 and $1,563,448 was receivable, respectively.

Property Management Fee

As compensation for managing the property, Foundation Communities is entitled to a property management fee in the amount of 6% of the monthly rental collections. During the years ended December 31, 2018 and 2017, Foundation Communities earned $57,131 and $302 in total fees, respectively. As of December 31, 2018 and 2017, $5,385 and $302, respectively, were receivable as a result of this fee.

Resident Supportive Services Fee

As compensation for supportive services provided to the residents living at the property, Foundation Communities, Inc. is entitled to a resident supportive service reimbursement up to the amount of $42,000 per year. Payment of the fees are subject to cash flow distribution rights as outlined in the Limited Partnership agreement. During the years ended December 31, 2018 and 2017, Foundation Communities earned $42,000 and $0, respectively. As of December 31, 2018 and 2017, $32,400 and $0, respectively, was receivable as a result of this fee.

## Note 26: Related Party Transactions - FC Mueller Housing, L.P. (Jordan at Mueller)

### Note Receivable

As of December 31, 2018 and 2017, FCI had funded $4,944,711 and $1,468,657, respectively, to FC Mueller Housing L.P for purpose of acquisition and development costs for the Jordan at Mueller affordable housing project. FCI received $4,000,000 from AHFC and those funds are included in the balance from the partnership. Note terms are annual payments to the extent of available cash flow. The principal amounts bears interest at 3% and $4,944,711 and $1,468,657 was outstanding as of December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, $97,492 and $5,533 was receivable, respectively.

### Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $2,394,408 upon completion of construction and other requirements set forth in the partnership agreement. Payments on the amounts due for the development fee are made from FC Mueller Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. The $598,602 of fees were earned in 2018 and the $1,795,806 balance of fees will be earned in 2019 upon construction completion. As of December 31, 2018 and 2017, there were no receivables outstanding.

## Note 27: Related Party Transactions - FC Waters Park Housing L.P. (Waterloo Terrace)

### Note Receivable

As of December 31, 2018 and 2017, FCI had funded $4,238,914 and $0, respectively, to FC Waters Park Housing L.P for purpose of acquisition and development costs for the Waterloo Terrace affordable housing project. FCI received $3,200,000 from AHFC and those funds are included in the balance from the partnership. Note terms are annual payments to the extent of available cash flow. The principal amounts bears interest at 3% and $4,238,914 and $0 was outstanding as of December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, $42,548 and $0 was receivable, respectively.

### Development Fee Earned

In consideration for acting as the developer of the project, Foundation Communities is entitled to a development fee of $1,672,467 upon completion of construction and other requirements set forth in the partnership agreement. Payments on the amounts due for the development fee are made from FC Waters Park Housing, L.P's limited partner equity as determined in the partnership agreement and then remaining balances will be paid from the partnership's cash flow from operations. No fees were earned in 2018 as fees will be earned in 2019 and 2020 upon construction completion. As of December 31, 2018 and 2017, there were no receivables outstanding.

## Note 28: Related Party Transactions - Personal Contributions from Board Members

Board contributions for the years ended December 31, 2018 and 2017 were $24,533 and $22,531, respectively.

Foundation Communities has a conflict of interest policy by which each Board member must abide. This policy requires Board members to disclose any potential conflict of interest involving themselves or a family member in regard to any matter which involves Foundation Communities.

## Note 29: Leasehold Interests - Spring Terrace and Arbor Terrace

In 2005, Foundation Communities, through FC Ashford, acquired a hotel property for approximately $2,850,000. In December 2005, FC Ashford sold the building and land to Austin Housing Finance Corporation, an unrelated third party, for approximately $2,000,000 and retained a leasehold interest in the building valued at approximately $850,000. Under the terms of the leasehold interest, Foundation Communities' affiliate, Spring Terrace, is allowed to use the building as a rental housing facility for qualified homeless and low-income individuals. The lease term is 99 years and begins on the date of the initial tenant occupancy. The leasehold interest of $872,210 is included in property and equipment at December 31, 2018 and 2017, and will be amortized over the expected useful life of the building.

In 2011, Arbor Terrace entered into a leasehold agreement with Austin Housing Finance Corporation in conjunction with Austin Housing Finance Corporation providing $2,000,000 to acquire existing property now known as Arbor Terrace. Under the terms of the leasehold interest, Arbor Terrace is allowed to use the building as a rental housing facility for qualified homeless and low-income individuals. The lease term is 99 years and begun on June 6, 2011. Construction on the renovations to the property was completed in August 2012.

## Note 30: Endowment Funds

During 2007, Foundation Communities established the Foundation Communities Next Generation Fund (the "Fund"), a permanent endowment fund, at the Austin Community Foundation ("the Foundation"). The assets are irrevocably held by the Foundation and are managed to accomplish Foundation Communities' designated charitable purpose. The Fund's assets are not recorded in the consolidated statements of financial position of Foundation Communities as the Foundation reserves the power to modify any condition or restriction on the distributions from the Fund. The balance in the Fund as of December 31, 2018 and 2017 was $235,625 and $257,500 respectively. No distributions were received from the Fund during the years ended December 31, 2018 and 2017, respectively.

Annually the Foundation's Board of Governors makes a determination of the amount to grant to Foundation Communities, based on the Foundation's spending policy. The Foundation's current spending policy is that five percent of the Fund's value as of December 31 each year shall be the available for distribution in the following year. Such distribution will be available to Foundation Communities pursuant to a letter of instruction from Foundation Communities, but subject to the Foundation's Board of Governors approval. If the amount available to grant is not distributed in a single year, any remaining balance available to grant will carry over to subsequent years.

## Note 31: Lease Income

As of December 31, 2018, Foundation Communities leased office space to various businesses under non-cancelable operating leases. The property held for these leases is included in fixed assets reported in the consolidated statements of financial position.

Future minimum lease receipts of rent under non-cancelable operating leases as of December 31, 2018 are as follows:

| | |
|---|---|
| 2019 | $ 738,353 |
| 2020 | 560,687 |
| 2021 | 51,368 |
| 2022 | 8,100 |
| | $ 1,358,508 |

## Note 32: Employee Benefit Plans

In 1999, Foundation Communities adopted a defined contribution, 401(k) employee benefit plan covering substantially all of its employees. Employees who elect to participate can contribute up to 75% of their gross pay to the plan up to $18,500 and up to $24,500 if the participant is over 50 years of age. In accordance with the plan document, Foundation Communities has elected to match the employee contribution up to 2% of the employee's gross pay. In addition, the employer may elect, on an annual basis through action of the Board of Directors, to make an additional contribution of up to the maximum allowable under the plan provisions. Foundation Communities' matching contributions expense for the years ended December 31, 2018 and 2017 totaled $495,365 and $431,939, respectively.

## Note 33: Compliance with Community Housing Development Organizations' Tax Exemptions

Included in the supplementary information to these audited financial statements is a schedule titled *Community Housing Development Organization Property Tax Reinvestment Public Expenditure Test* that is included to show Foundation Communities' compliance with the exemption from ad valorem taxation for certain community housing developmental organization requirements of Texas Property Tax Code 11.182 and 11.1825.

## Note 34: Contingencies

Foundation Communities receives government grants for specific purposes that are subject to review and audit by government agencies. Such audits could result in a request for reimbursement for expenditures disallowed under terms and conditions of the appropriate agency. In the opinion of Foundation Communities' management, such disallowances, if any, would not be significant.

## Note 35: Subsequent Events

Foundation Communities has evaluated subsequent events through May 31, 2019 (the date the consolidated financial statements were available to be issued).

On May 13, 2019, Foundation Communities obtained a $1,729,264 letter of credit with a financial institution pursuant the financing of construction of the Waterloo Terrace Apartments project. The letter of credit is secured by the $5,000,000 line of credit in Note 13. The letter of credit has an original maturity date of December 31, 2020, with the option to be renewed automatically for successive one year periods. As of May 31, 2019, there have been no amounts drawn under the letter of credit.

On May 20, 2019, FC Housing 5 transferred the limited partnership interest in FC Waters Park Housing, LP to a third party to raise tax credit equity for the Waterloo Terrace Apartments project.

On May 22, 2019, Foundation Communities transferred ownership of office buildings at 2900 and 3000 South I-35, dba Mission Plaza to a new entity, FC Mission Plaza, Inc. FC Mission Plaza, Inc. was formed on April 4, 2019 to be a supporting organization to Foundation Communities, Inc. FC Mission Plaza, Inc. entered into financing arranged with New Markets Tax Credits and FC entity level reserves and other financing.

***SUPPLEMENTARY INFORMATION***

# FOUNDATION COMMUNITIES, INC.

## *SCHEDULE OF FINANCIAL POSITION BY ENTITY - UNAUDITED*

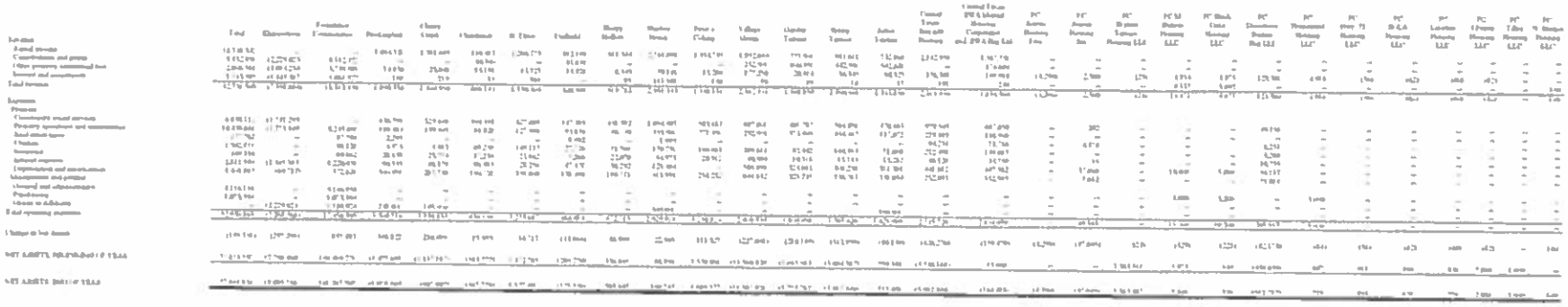
## DECEMBER 31, 2018

| ASSETS | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LIABILITIES AND NET ASSETS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net assets (deficit) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| TOTAL LIABILITIES AND NET ASSETS | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# FOUNDATION COMMUNITIES, INC.

## *SCHEDULE OF ACTIVITY BY ENTITY - UNAUDITED*

## YEAR ENDED DECEMBER 31, 2018



# FOUNDATION COMMUNITIES, INC.

## *COMMUNITY HOUSING DEVELOPMENT ORGANIZATION*
## *PROPERTY TAX REINVESTMENT PUBLIC EXPENDITURE TEST*

## YEAR ENDED DECEMBER 31, 2018

| | | | | | | | | | 2018 Expenditures | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Property | No. Units | Appraisal District Value 2018 | Exempted Value 2018 | Taxing Jurisdiction | Tax Rate 2018 | Total Estimated Exemption Tax 2018 | 40% Test Amount | Capital Improve | Total Res. Serv. | Rent Reductions | Total Qual.Expend. | Percent Expended |
| Arbor Terrace (FC Austin Hsg One) | 130 | $ 6,938,481 | $ 6,938,481 | Travis CAD | 2.20% | $ 152,525 | $ 60,991 | $ 99,491 | 117,672 | $ 281,339 | $ 498,502 | 819% |
| Buckingham | 166 | $ 12,693,229 | $ 12,393,196 | Travis CAD | 2.20% | $ 272,000 | $ 108,800 | $ 234,683 | $ 189,484 | $ 78,509 | $ 522,677 | 480% |
| Cherry Creek | 122 | $ 15,234,442 | $ 15,234,442 | Travis CAD | 2.20% | $ 334,827 | $ 133,931 | $ 201,640 | $ 139,905 | $ 19,396 | $ 360,941 | 270% |
| Crossroads | 91 | $ 7,046,313 | $ 7,046,313 | Travis CAD | 2.20% | $ 154,774 | $ 61,909 | $ 166,598 | $ 91,970 | $ 69,327 | $ 317,845 | 568% |
| Daffodil | 80 | $ 3,921,378 | $ 3,410,100 | Travis CAD | 2.20% | $ 82,613 | $ 33,045 | $ 52,332 | $ 91,831 | $ 25,018 | $ 172,122 | 521% |
| Garden Terrace | 93 | $ 7,349,699 | $ 7,349,699 | Travis CAD | 2.20% | $ 161,439 | $ 64,575 | $ 152,674 | $ 371,905 | $ 223,728 | $ 750,307 | 1162% |
| Spring Terrace | 142 | $ 3,612,433 | $ 3,612,433 | Travis CAD | 2.20% | $ 79,747 | $ 31,915 | $ 128,383 | $ 334,187 | $ 296,829 | $ 759,398 | 2443% |
| Sierra Ridge (St. Elmo) | 149 | $ 15,233,366 | $ 15,233,366 | Travis CAD | 2.20% | $ 335,049 | $ 134,019 | $ 231,322 | $ 127,998 | $ 54,224 | $ 413,544 | 309% |
| Trails at the Park (CTSHC) | 160 | $ 4,348,000 | $ 4,298,000 | Travis CAD | 2.20% | $ 94,251 | $ 37,692 | $ 168,440 | $ 219,681 | $ 331,596 | $ 779,717 | 2069% |
| Vintage Creek (Village Green) | 200 | $ 20,412,129 | $ 20,412,129 | Travis CAD | 2.20% | $ 449,706 | $ 179,918 | $ 464,375 | $ 232,901 | $ 73,475 | $ 770,751 | 429% |
| Peter's Colony | 360 | $ 12,369,343 | $ 12,369,343 | Denton CAD | 2.22% | $ 276,952 | $ 110,541 | $ 320,684 | $ 271,430 | $ 105,926 | $ 698,039 | 631% |
| Shadow Brook | 404 | $ 14,247,207 | $ 14,247,207 | Tarrant CAD | 2.60% | $ 370,135 | $ 148,055 | $ 352,992 | $ 335,910 | $ 57,208 | $ 746,290 | 504% |
| Sleepy Hollow | 118 | $ 4,224,000 | $ 4,224,000 | Tarrant CAD | 2.60% | $ 109,740 | $ 43,896 | $ 143,322 | $ 90,749 | $ 5,744 | $ 239,814 | 546% |
| Southwest Trails | 141 | $ 6,513,000 | $ 3,265,000 | Travis CAD | 2.20% | $ 71,734 | $ 28,687 | $ 835,700 | $ 110,930 | $ 482,880 | $ 1,429,480 | 4983% |
| TOTALS | 2,127 | 138,484,718 | 130,307,909 | | | $ 2,945,989 | 1,178,395 | 3,471,838 | 2,980,872 | 2,140,040 | 8,592,750 | 729% |

40% of the total tax amount = Necessary property expenses to maintain exemption

MAXWELL LOCKE & RITTER LLP

Austin

Round Rock

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Foundation Communities, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Foundation Communities, Inc. (a nonprofit organization) and its affiliates (collectively, "Foundation Communities"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 31, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Foundation Communities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation Communities' internal control. Accordingly, we do not express an opinion on the effectiveness of Foundation Communities' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Foundation Communities' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foundation Communities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation Communities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maxwell Locke & Ritter LLP

Austin, Texas
May 31, 2019

MAXWELL LOCKE & RITTER LLP

Austin

Round Rock

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Board of Directors of
Foundation Communities, Inc.:

## Report on Compliance for Each Major Federal and State Program

We have audited Foundation Communities, Inc.'s ("Foundation Communities") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Uniform Grant Management Standards ("UGMS"), which includes the State of Texas Single Audit Circular, that could have a direct and material effect on each of Foundation Communities' major federal and state programs for the year ended December 31, 2018. Foundation Communities' major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

## Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Foundation Communities' major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and UGMS. Those standards, the Uniform Guidance, and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Foundation Communities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with its major federal and state programs. However, our audit does not provide a legal determination of Foundation Communities' compliance.

**Opinion on Each Major Federal and State Program**

In our opinion, Foundation Communities' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2018.

**Report on Internal Control Over Compliance**

Management of Foundation Communities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Foundation Communities' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal and state programs and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foundation Communities' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and UGMS. Accordingly, this report is not suitable for any other purpose.

Maxwell Locke & Ritter LLP

Austin, Texas
May 31, 2019

# FOUNDATION COMMUNITIES, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
## YEAR ENDED DECEMBER 31, 2018

| Federal or State Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Agency Pass-Through Number | Expenditures |
|---|---|---|---|
| **FEDERAL AWARDS** | | | |
| **U.S. DEPARTMENT OF TREASURY** | | | |
| **Internal Revenue Service** | | | |
| Volunteer Income Tax Assistance (VITA) Matching Grant Program | 21 009 | 17VITA0097 | $ 124,514 |
| Volunteer Income Tax Assistance (VITA) Matching Grant Program | 21 009 | 19VITA0116 | 45,158 |
| | | | 169,672 |
| **Passed through United Way of Metropolitan Dallas** | | | |
| Volunteer Income Tax Assistance (VITA) Matching Grant Program | 21 009 | 17VITA0070 | 110,187 |
| Volunteer Income Tax Assistance (VITA) Matching Grant Program | 21 009 | 19VITA0069 | 7,873 |
| Total CFDA 21 009 | | | 287,732 |
| **Passed through Neighborworks of America** | | | |
| Neighborworks Capital Grant | 21 000 | 2017-3010-0166-NEC | 299,444 |
| Neighborworks Expendable Grant | 21 000 | 2017-3010-0166-NEC | 147,500 |
| Total CFDA 21 000 | | | 446,944 |
| **Community Development Financial Institutions** | | | |
| Capital Magnet Fund | 21 011 | 161CM020443 | 2,580,000 |
| Total U S Department of Treasury | | | 3,484,348 |
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| Assets for Independence Demonstration Program | 93 602 | N/A | 44,512 |
| **U.S. DEPARTMENT OF EDUCATION** | | | |
| **Passed through Texas Education Agency** | | | |
| Twenty-First Century Community Learning Centers | 84 287 | 176950247110012 | 237,629 |
| **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | |
| **Passed through Austin Housing Finance Corporation** | | | |
| **CDBG-Entitlement Grants Cluster** | | | |
| CDBG-Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants Program Loan | 14 218 | B-02-MC-48-0500 | 1,600,000 |
| CDBG-Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants Program Loan | 14 218 | B-10-MC-48-0500 | 1,101,066 |
| CDBG-Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants Program Loan | 14 218 | B-12-MC-48-0500 | 1,150,000 |
| Total CFDA 14 218 and CDBG-Entitlement Grant Cluster | | | 3,851,066 |
| HOME Investment Partnerships Program Loan | 14 239 | M-02-MC-48-0500 | 500,000 |
| HOME Investment Partnerships Program Loan | 14 239 | M-06-MC-48-0500 | 956,003 |
| HOME Investment Partnerships Program Loan | 14 239 | M-02-MC-48-0500 | 175,750 |
| HOME Investment Partnerships Program Loan | 14 239 | M-14-MY-48-0500 | 294,420 |
| HOME Investment Partnerships Program Loan | 14 239 | M-14-MY-48-0500 | 295,690 |
| HOME Investment Partnerships Program Loan | 14 239 | M-14-MY-48-0500 | 294,820 |
| HOME Investment Partnerships Program Loan | 14 239 | M-14-MY-48-0500 | 176,070 |
| **Passed through Texas Department of Housing and Community Affairs** | | | |
| HOME Investment Partnerships Program Loan | 14 239 | M-06-SG-48-0100 | 1,450,000 |
| HOME Investment Partnerships Program Loan | 14 239 | M-01-SG-48-0100 | 1,000,000 |
| HOME Investment Partnerships Program Loan | 14 239 | M-05-SG-48-0100 | 786,446 |
| Total CFDA 14 239 | | | 5,929,199 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Neighborhood Stabilization Program Loan | 14 228 | B-08-DN-48-0001 | 6,014,050 |
| Total U S Department of Housing and Urban Development | | | 15,794,315 |
| **U.S. DEPARTMENT OF JUSTICE** | | | |
| **Passed through SAFE** | | | |
| Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence Stalking, or Sexual Assault | 16 736 | FCSVSP#5571 | 65,328 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | 19,456,460 |
| **STATE AWARDS** | | | |
| **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS** | | | |
| Housing Trust Fund Loan - for Southwest Trails | | | 596,506 |
| Housing Trust Fund Loan - for Spring Terrace | | | 682,010 |
| Total Texas Department of Housing and Community Affairs | | | 1,278,516 |
| **TEXAS VETERAN'S COMMISSION** | | | |
| Texas Veteran's Commission | | | 79,690 |
| **TEXAS HEALTH AND HUMAN SERVICES COMMISSION** | | | |
| Community Mental Health | | | 105,689 |
| **TOTAL EXPENDITURES OF STATE AWARDS** | | | 1,463,895 |
| **TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS** | | | $ 20,920,355 |

See notes to the schedule of expenditures of federal and state awards

FOUNDATION COMMUNITIES, INC.

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
## YEAR ENDED DECEMBER 31, 2018

### Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of Foundation Communities under programs of the federal and state government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State of Texas Uniform Grant Management Standards ("UGMS"). Because the Schedule presents only a selected portion of the operations of Foundation Communities, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Foundation Communities.

### Note 2: Summary of Significant Accounting Policies

The Schedule includes the federal and state activity of Foundation Communities and is presented on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in the Uniform Guidance or UGMS, where certain types of expenditures are not allowed or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the consolidated financial statements.

Foundation Communities has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Included in the Schedule are balances at December 31, 2018 of loans from the Neighborhood Stabilization Program, HOME, CDBG and the Texas Department of Housing and Community Affairs for the construction and remodeling of affordable low income housing projects. The Uniform Guidance and UGMS require that the Schedule include the total amount of federal and state awards expended for loan or loan guarantee programs which include the value of new loans made or received during the year plus the beginning of the period balance of loans from previous years for which the federal or state government imposes continuing compliance requirements.

### Note 3: Loan or Loan Guarantee Programs

The following table includes the balances of loans and loan guarantee programs outstanding at December 31, 2018 in accordance with 2 CFR Section 200.502(b) which could differ from balances presented in the Schedule.

| Program | CFDA Number | Outstanding Loan Balance at December 31, 2018 |
|---|---|---|
| CDBG-Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants Program Loan | 14.218 | $1,600,000 |
| CDBG-Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants Program Loan | 14.218 | $1,101,066 |
| CDBG-Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants Program Loan | 14.218 | $1,150,000 |
| HOME Investment Partnerships Program Loan | 14.239 | $500,000 |
| HOME Investment Partnerships Program Loan | 14.239 | $956,003 |
| HOME Investment Partnerships Program Loan | 14.239 | $175,750 |
| HOME Investment Partnerships Program Loan | 14.239 | $294,420 |
| HOME Investment Partnerships Program Loan | 14.239 | $295,690 |
| HOME Investment Partnerships Program Loan | 14.239 | $294,820 |
| HOME Investment Partnerships Program Loan | 14.239 | $176,070 |
| HOME Investment Partnerships Program Loan | 14.239 | $1,450,000 |
| HOME Investment Partnerships Program Loan | 14.239 | $1,000,000 |
| HOME Investment Partnerships Program Loan | 14.239 | $786,446 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - Neighborhood Stabilization Program Loan | 14.228 | $5,551,431* |

*Difference from Schedule of Expenditures of Federal and State Awards is due to a portion of the debt forgiven during the year ended December 31, 2018. The Schedule of Expenditures of Federal and State Awards reports the outstanding balance of all loans at the beginning of the year ended December 31, 2018.

FOUNDATION COMMUNITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

## SECTION I - SUMMARY OF AUDITORS' RESULTS

### FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes ___x___no
- Significant deficiency(ies) identified? _____yes ___x___none reported

Noncompliance material to financial statements noted? _____yes ___x___no

### FEDERAL AND STATE AWARDS

Identification of major programs and type of auditors' report issued on compliance for each major program:

| Federal or State Major Program | CFDA Number | Name of Federal or State Program | Type of Auditors' Report Issued on Compliance for Major Federal or State Program |
|---|---|---|---|
| Federal | 14.239 | U.S. Department of Housing and Urban Development - Passed through Austin Housing Finance Corporation - HOME Investment Partnerships Program Loan | Unmodified |
| Federal | 14.218 | U.S. Department of Housing and Urban Development - Passed through Austin Housing Finance Corporation - Community Development Block Grants/Entitlement Grants | Unmodified |
| State | n/a | Texas Department of Housing and Community Affairs - Housing Trust Fund Loan – Southwest Trails | Unmodified |

Internal control over major programs:

- Material weakness(es) identified? _____yes ___x___no
- Significant deficiency(ies) identified? _____yes ___x___none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or UGMS? _____yes ___x___no

Dollar threshold used to distinguish between Federal type A and type B programs: $750,000

Dollar threshold used to distinguish between State type A and type B programs: $300,000

Auditee qualified as low-risk auditee? ___x___yes _____no

**FOUNDATION COMMUNITIES, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**YEAR ENDED DECEMBER 31, 2018**

## SECTION II - FINANCIAL STATEMENT FINDINGS

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended December 31, 2018 and 2017.

## SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) or UGMS for the years ended December 31, 2018 and 2017.

MAXWELL LOCKE & RITTER LLP

Austin

Round Rock

May 31, 2019

To the Board of Directors of
Foundation Communities, Inc.:

We have audited the consolidated financial statements of Foundation Communities, Inc. and affiliates (collectively, "Foundation Communities") as of and for the year ended December 31, 2018, and have issued our report thereon dated May 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance, and the State of Texas Uniform Grant Management Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 4, 2019. Professional standards also require that we communicate to you the following information related to our audit.

## QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Foundation Communities are described in Note 2 to the consolidated financial statements. As described in Note 2 to the consolidated financial statements, Foundation Communities adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the new standard have been applied retrospectively to all periods presented. We noted no transactions entered into by Foundation Communities during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were the useful lives of property and equipment used to calculate depreciation expense, the fair value of interest rate swap agreements, and the allocation of costs among the functional expense categories. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

## DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements identified during the audit.

## DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the attached management representation letter dated May 31, 2019.

## MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation Communities' consolidated financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## ISSUES RELEVANT TO THE OVERSIGHT OF THE FINANCIAL REPORTING PROCESS

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation Communities' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## OTHER MATTERS

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Foundation Communities and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Maxwell Locke & Ritter LLP

Enclosure 1: Management Representation Letter

FOUNDATION COMMUNITIES
creating housing where families succeed

3036 South First Street
Austin, TX 78704

tel: 512 447 2026
fax: 512 447 0288

www.foundcom.org

May 31, 2019

Maxwell Locke & Ritter LLP
401 Congress Ave , Suite 1100
Austin, Texas 78701

This representation letter is provided in connection with your audits of the consolidated financial statements of Foundation Communities, Inc and affiliates (collectively, "Foundation Communities"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements (the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of the auditors' report, the following representations made to you during your audits.

**Financial Statements**

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 4, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

NeighborWorks
A Partner Agency of
United Way

FOUNDATION COMMUNITIES
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3036 South First Street
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3) We acknowledge our responsibility for 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

9) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which Foundation Communities is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

11) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

12) There are no designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the consolidated financial statements.

13) We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

NeighborWorks
United Way

FOUNDATION COMMUNITIES
creating housing where families succeed

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Austin, TX 78704

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**Information Provided**

14) We have provided you with

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters

b) Additional information that you have requested from us for the purpose of the audit

c) Unrestricted access to persons within Foundation Communities from whom you determined it necessary to obtain audit evidence

d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared

15) All material transactions have been recorded in the accounting records and are reflected in the financial statements

16) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

17) We have no knowledge of any fraud or suspected fraud that affects Foundation Communities and involves

a) Management,

b) Employees who have significant roles in internal control, or

c) Others where the fraud could have a material effect on the financial statements

18) We have no knowledge of any allegations of fraud or suspected fraud affecting Foundation Communities' financial statements communicated by employees, former employees, grantors, regulators, or others

19) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements

20) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the

NeighborWorks
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financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

21) We have disclosed to you the identity of Foundation Communities' related parties and all the related-party relationships and transactions of which we are aware.

22) Except as made known to you, Foundation Communities has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

23) With respect to federal award programs:

a) We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal and State Awards (Uniform Guidance), relating to preparation of the schedule of expenditures of federal awards.

b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal and state awards (SEFSA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFSA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFSA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFSA.

c) If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the SEFSA and the auditor's report thereon.

d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFSA, expenditures made during the audit period for all awards provided by federal and state agencies in the form of federal and state awards, federal and state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e) We are responsible for understanding and complying with, and have complied with the requirements of federal and state statutes, regulations, and the terms and

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conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program

f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal programs We believe the internal control system is adequate and is functioning as intended

g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities

h) We have received no requests from a federal and state agency to audit one or more specific programs as a major program

i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the OMB Compliance Supplement, relating to federal and state awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards

j) We have disclosed any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report

k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E)

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m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations

n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements

o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period

p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report

q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report

r) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared

s) The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable

t) We have charged costs to federal and state awards in accordance with applicable cost principles

u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance

v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information

w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance

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24) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented

25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us

26) Foundation Communities, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize Foundation Communities' tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date

27) As part of your audit, you prepared the draft consolidated financial statements and related notes and schedule of expenditures of federal and state awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those consolidated financial statements and related notes and schedule of expenditures of federal and state awards

28) Foundation Communities has adopted ASC 740-10 as it relates to uncertain tax positions for the years ended December 31, 2018 and 2017 and has evaluated its tax positions taken for all open tax years. Foundation Communities is not currently under audit, nor has Foundation Communities been contacted for examination by any relevant tax jurisdictions. Based on our evaluation of Foundation Communities' tax positions, management believes all positions taken are highly certain and would be upheld under an examination, therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2018 and 2017.

29) We represent that Foundation Communities, Inc.:

a) Is organized for Internal Revenue Code Section 501(c)(3) purposes,

b) Is operated in a manner consistent with its mission as set forth in its current Articles of Incorporation and Bylaws

c) Has not engaged in activities which would result in private inurement or excess benefit transactions

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d) Has not engaged in any political activities and has properly reported any lobbying activities,

e) Has determined that all sources of revenue are related to its exempt purpose or are excluded from unrelated business income treatment, unless otherwise indicated, and

f) Has determined that any unrelated business income has been properly reported and that expenses have been allocated on a reasonable basis

30) We acknowledge our responsibility for presenting the supplementary information in accordance with U S GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U S GAAP The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information

Walter Moreau

Walter Moreau, Executive Director

Ann Clift

Ann Clift, Chief Financial Officer

5-31-2019

Date

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# Attachment E -1
# Legal Description

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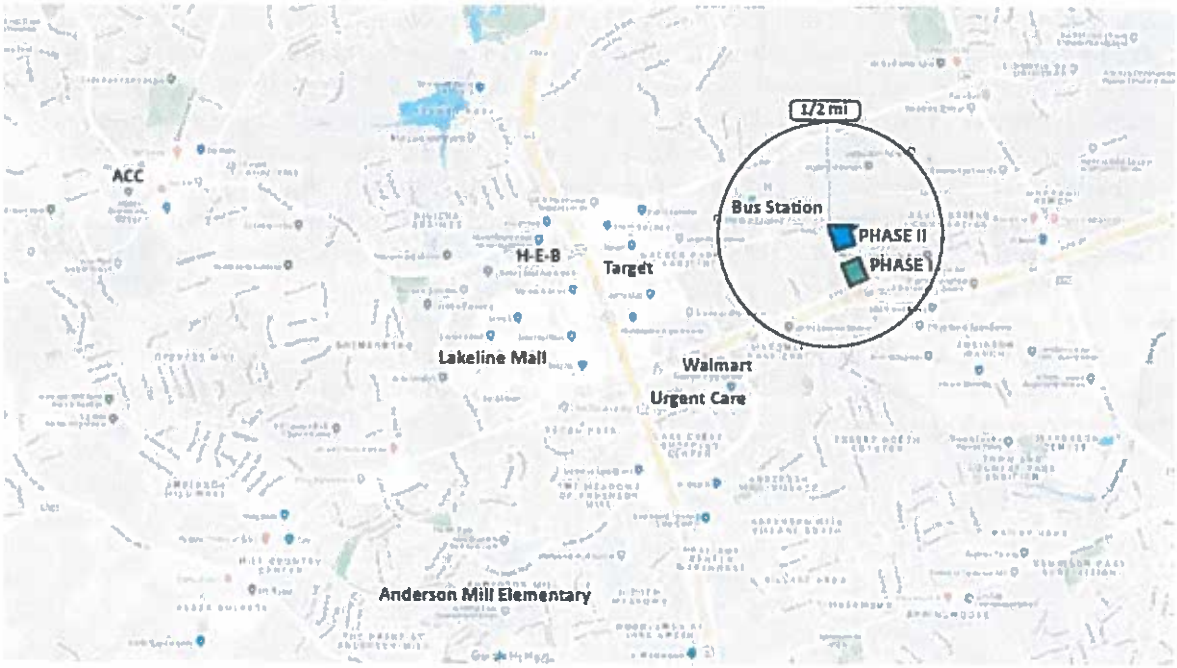
6.35 acre tract, more or less, out of the Rachel Saul Survey, Abstract No. 551, Williamson County, Texas and being comprised of three tracts, all conveyed to Mark A. Toungate and Teresa K. Toungate, Trustees of The Mark A. and Teresa K. Toungate Living Trust: "Tract 1" being a 1.995 acre tract of land conveyed by instrument of record in Document Number 2011004038 of the Official Public Records of Williamson County, Texas-excepting therefrom a 0.0479 of one acre tract of land to the City of Austin, Texas as described in Street Deed of record in Document Number 2011045294 of the Official Public Records of Williamson County, Texas; "Tract 2" being a 2.448 acre tract of land conveyed by instrument of record in Document Number 20008073894 of the Official Public Records of Williamson County, Texas; "Tract 3" being a 1.9980 acre tract of land conveyed by instrument of record in Document Number 2008073893 of the Official Public Records of Williamson County, Texas-excepting therefrom a 0.0480 of one acre tract of land to the City of Austin, Texas as described in said Document Number 2011045924 of the Official Public Records of Williamson County, Texas and being more particularly described by metes and bounds attached hereto.

# Attachment E -2

# MAP



# Attachment F
# FINANCING PROPOSAL

---

**Private Activity Bonds & Permanent Mortgage**
This application is for tax-exempt bonds in the amount of **$20 million**. At this time we anticipate using the bonds for construction only and converting to an FHA loan in the estimated amount of **$9.5 million**. However, this is subject to change as we evaluate the best long-term debt options

**4% Tax Credits**
Foundation Communities will submit an application to the Texas Department of Housing and Community Affairs for 4% tax credits. We have estimated that equity in the amount of **$8.7 million** based on $0.95 per dollar of tax credits and a projected tax credit allocation of $919,666.

**State Soft Loan**
Simultaneously with the tax credit application, FC will submit an application to the TDHCA Multifamily Direct Loan Program for $2 million under the Soft Repayment set aside. Our project is eligible for this soft repayment loan because of a commitment of 30% rent units. We anticipate the source of funds to be National Housing Trust Fund.

**City Soft Loan**
FC has submitted an application to the Austin Housing Finance Corporation for RHDA funds in the amount of $7.1 million for a zero interest and deferred forgivable source of permanent financing.

**Federal Home Loan Bank**
FC will submit an application to FHLB – Dallas in the amount of **$750,000**. Lakeline Phase II scores competitively due to targeting, location, and leverage.

**Owner Equity**
Foundation Communities, Inc. is making a permanent commitment of **$1,957,546** of Owner equity to the project. As a mission based nonprofit, it is very customary for Foundation Communities, Inc. to close our tax credit partnership with a sponsor loan to bridge fundraising. During construction, Foundation Communities uses our internal funds to cover draws on the sponsor loan while fundraising continues. As private funds are raised, Foundation Communities is reimbursed. Foundation Communities, Inc. is guarantor, so if the funds aren't raised by third party sources, Foundation Communities is on the hook to contribute the funds.

**Deferred Developer Fee**
Finally, the developer is prepared to make up any gap in sources and uses by deferring the developer fee. Currently, the deferred developer fee is projected at **$1,750,000**.

## PROJECT INFORMATION

| | |
|---|---|
| DBA | Lakeline Station Phase II |
| Owner | FC Austin Six Housing Corp |
| Address | 13653 Rutledge Spur, Austin, TX 78717 |

## PROGRAM

| Unit Mix | # of units | Sq. Ft./Un | TOTAL NR | TOTAL SF | % |
|---|---|---|---|---|---|
| 1/1 | 24 | 795 | 19,080 | 19,080 | 20% |
| 2/2 | 60 | 982 | 58,920 | 58,920 | 50% |
| 3/2 | 36 | 1,298 | 46,728 | 46,728 | 30% |
| **Totals** | **120** | | **124,728** | **124,728** | |

## INCOME SET-ASIDES

| MFI | Min. | # of units |
|---|---|---|
| 30% AMI | 10.00% | 12 |
| 50% AMI | 57.00% | 68 |
| 60% AMI | 33.00% | 40 |
| | | **120** |

## RENT SCHEDULE

| Rent Limit | # Units | # of Beds | Sq. Ft. | 2019 Rents | Utility Allowance | Net Rent | Monthly Rent |
|---|---|---|---|---|---|---|---|
| 30% AMI | 0.00 | 1/1 | 795 | $483 | $54 | $429 | $0 |
| 50% AMI | 14.00 | 1/1 | 795 | $838 | $54 | $784 | $10,979 |
| 60% AMI | 10.00 | 1/1 | 795 | $1,006 | $54 | $952 | $9,517 |
| 30% AMI | 6.00 | 2/2 | 982 | $580 | $71 | $509 | $3,054 |
| 50% AMI | 34.00 | 2/2 | 982 | $1,006 | $71 | $935 | $31,779 |
| 60% AMI | 20.00 | 2/2 | 982 | $1,207 | $71 | $1,136 | $22,729 |
| 30% AMI | 6.00 | 3/2 | 1,298 | $670 | $86 | $584 | $3,504 |
| 50% AMI | 20.00 | 3/2 | 1,298 | $1,163 | $86 | $1,077 | $21,534 |
| 60% AMI | 10.00 | 3/2 | 1,298 | $1,395 | $86 | $1,309 | $13,086 |
| | **120.00** | | | | | | **$116,183** |

## UTILITY ALLOWANCE

| Utility | Who Pays | Energy Source | 1BR | 2BR | 3BR | Source of Utility Allowance & Effective Date |
|---|---|---|---|---|---|---|
| Heating | tenant | electric | $7 | $9 | $11 | HACA 2019 |
| Cooking | tenant | electric | $4 | $5 | $7 | HACA 2019 |
| Other Electric | tenant | electric | $24 | $30 | $35 | HACA 2019 |
| a/c | tenant | electric | $11 | $16 | $20 | HACA 2019 |
| Water Heater | tenant | electric | $8 | $11 | $13 | HACA 2019 |
| Water | landlord | | | | | |
| Sewer | landlord | | | | | |
| Trash | landlord | | | | | |
| | | **Total Paid by Tenant** | $54 | $71 | $86 | |

## SOURCES & USES

| Uses | | Amount |
|---|---|---|
| Land | | $2,951,000 |
| Construction Hard Costs | | $20,168,518 |
| Architect/Professional Fees | | $1,026,675 |
| Soft Costs | | $400,977 |
| Financing Costs | | $2,906,841 |
| Operating and lease-up reserves | | $345,535 |
| Developer Fee | | $4,000,000 |
| **TOTAL USES OF FUNDS** | | **$31,799,546** |

| Permanent Sources | | |
|---|---|---|
| LIHTC Equity | | $8,735,954 |
| Supportable Mortgage Amount | | $9,506,441 |
| City of Austin | | $7,100,000 |
| State MFDL - Soft Repayment | | $2,000,000 |
| Deferred Developer Fee | | $1,750,000 |
| Federal Home Loan Bank | | $750,000 |
| FC Sponsor Loan | | $1,957,151 |
| Capital Magnet Fund | $0 | |
| **TOTAL PERMANENT SOURCES** | | **$31,799,546** |

## DEVELOPMENT COSTS

**Costs**

| | |
|---|---|
| **Land and Acquisition** | |
| Land | 2,950,000 |
| Closing Costs | 1,000 |
| **Total Land and Acquisition** | **2,951,000** |
| | |
| **Construction Hard Costs** | |
| Hard Costs of Construction (Construction Contract) | 19,208,112 |
| Demolition | |
| commerical space costs | |
| Construction Contingency (5% of hard cost) | 960,406 |
| **Total Construction Hard Costs** | **20,168,518** |
| | |
| **Architect/Engineer/Professional Fees** | |
| Architect Fees | 788,808 |
| Green Consultant Fees | 103,583 |
| Accounting fees | 11,284 |
| Consultant fees | 70,000 |
| Atty/Legal Fees | 55,000 |
| **Total Architect/Engineer/Professional** | **1,026,675** |
| | |
| **Soft Costs** | |
| Const. Period Insurance (Hazard & Liability) | 38,500 |
| Property Taxes | - |
| Survey | 17,320 |
| Appraisal | 10,000 |
| Mkt. Study | 7,500 |
| Soils report | 4,250 |
| Environmental Assessment | 37,850 |
| Bldg. Permits/Fees | 48,500 |
| FFE | 122,521 |
| Owner Work - Materials Testing | 55,160 |
| Owner Work - submetering | 17,795 |
| Relocation Costs | |
| Soft Cost Contingency | 41,582 |
| **Total Soft Costs** | **400,977** |
| | |
| **Bond Fees** | |
| Application Fee | 6,000 |
| Annual Fee | 30,000 |
| Closing Fee | 100,000 |
| Issuer Fee | 100,000 |
| Bond Counsel | 150,000 |
| Financial Adviser | 2,500 |
| misc expenses | 10,000 |
| **Construction Loan** | |
| Const. Loan Interest | 1,800,000 |
| Const. Loan Orig. Fees | 100,000 |
| Const. Loan Title/Recording Fees | 200,000 |
| Const. Loan Closing/Legal | 100,000 |
| Const. Inspection Fees | 17,500 |
| **Perm Loan** | |
| Perm Loan Fee | 95,064 |
| Title/Closing | 100,000 |
| **Other Financing Fees** | |
| Tax credit fees | 40,777 |
| Tax Opinion | - |
| LOC fees | 55,000 |
| **Total Finance Cost** | **2,906,841** |
| | |
| **Developer Fee** | |
| Developer Fee | 4,000,000 |
| **Total Developer Fee** | **4,000,000** |
| | |
| **Reserves** | |
| Operating Reserve | 230,535 |
| Lease-Up Reserve | 115,000 |
| **Total Reserves** | **345,535** |
| | |
| **TOTAL DEVELOPMENT COSTS** | **31,799,546** |

# PROFORMA

**Assumptions**

| | |
|---|---|
| Income Growth Ratio: | 2% |
| Vacancy: | 7.5% |
| Expense Growth Ratio: | 3% |

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 30 |
|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | |
| RENTAL REVENUE | 1,394,195 | 1,422,078 | 1,450,520 | 1,479,530 | 1,509,121 | 1,666,192 | 1,839,610 | 2,475,873 |
| VACANCY | (106,429) | (108,558) | (110,729) | (112,944) | (115,202) | (127,193) | (140,431) | (189,002) |
| OTHER INCOME | 24,863 | 25,360 | 25,867 | 26,384 | 26,912 | 29,713 | 32,806 | 44,152 |
| **TOTAL REVENUE** | **1,312,628** | **1,338,880** | **1,365,658** | **1,392,971** | **1,420,831** | **1,568,712** | **1,731,984** | **2,331,023** |
| **EXPENSES** | | | | | | | | |
| ADMINISTRATIVE | 129,070 | 132,942 | 136,930 | 141,038 | 145,269 | 168,407 | 195,229 | 304,161 |
| SERVICES IN OPEX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PAYROLL | 220,908 | 227,535 | 234,361 | 241,392 | 248,634 | 288,235 | 334,143 | 520,584 |
| MARKETING | 9,292 | 9,570 | 9,857 | 10,153 | 10,458 | 12,123 | 14,054 | 21,896 |
| MAINTENANCE | 52,559 | 54,136 | 55,760 | 57,433 | 59,156 | 68,578 | 79,500 | 123,859 |
| TURNOVER | 5,152 | 5,306 | 5,465 | 5,629 | 5,798 | 6,722 | 7,792 | 12,140 |
| SERVICE CONTRACTS | 131,077 | 135,009 | 139,059 | 143,231 | 147,528 | 171,025 | 198,265 | 308,891 |
| UTILITIES | 80,236 | 82,643 | 85,123 | 87,676 | 90,307 | 104,690 | 121,365 | 189,082 |
| INSURANCE | 43,313 | 44,612 | 45,950 | 47,329 | 48,749 | 56,513 | 65,514 | 102,069 |
| TAXES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **671,605** | **691,753** | **712,506** | **733,881** | **755,898** | **876,293** | **1,015,863** | **1,582,682** |
| **NET OPERATING INCOME** | **641,023** | **647,127** | **653,152** | **659,090** | **664,933** | **692,419** | **716,121** | **748,341** |
| RESERVES | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 | 39,143 | 45,378 | 70,697 |
| **NOI AFTER RESERVES** | **611,023** | **616,227** | **621,325** | **626,308** | **631,168** | **653,276** | **670,744** | **677,644** |
| DEBT SERVICE | 531,324 | 531,324 | 531,324 | 531,324 | 531,324 | 531,324 | 531,324 | 531,324 |
| DCR | 1.15 | 1.16 | 1.17 | 1.18 | 1.19 | 1.23 | 1.26 | 1.28 |
| **CASH FLOW** | **79,699** | **84,903** | **90,001** | **94,984** | **99,844** | **121,952** | **139,420** | **146,320** |

# Attachment G
# PROPERTY MANAGEMENT

Foundation Communities performs all leasing, maintenance, accounting, compliance and other property management functions for its 20 Austin properties. Foundation Communities earns property management fees that help support the overall nonprofit mission. The management fee is estimated to be 6% of total rents. The success of Foundation Communities' property management is demonstrated through its low vacancy (2% in 2018), high rent collection (99% in 2018), ability to keep all properties consistently performing within their operating budgets, completion of capital repairs of over $535/unit, and a relatively high percentage of move outs going to homeownership (20% in 2017).

FC monitors portfolio health, tracks each project monthly, compares actual performance to budget assumptions, and aggregates detailed performance metrics at the portfolio level for review by the CFO. All projects are producing their targeted cash flow and reserves established by the Board. FC has a well-funded Central Reserve and robust Asset Management program to keep properties in good condition and eliminate unforeseen capital/repair expenses that would undermine FC's organizational and financial strength.

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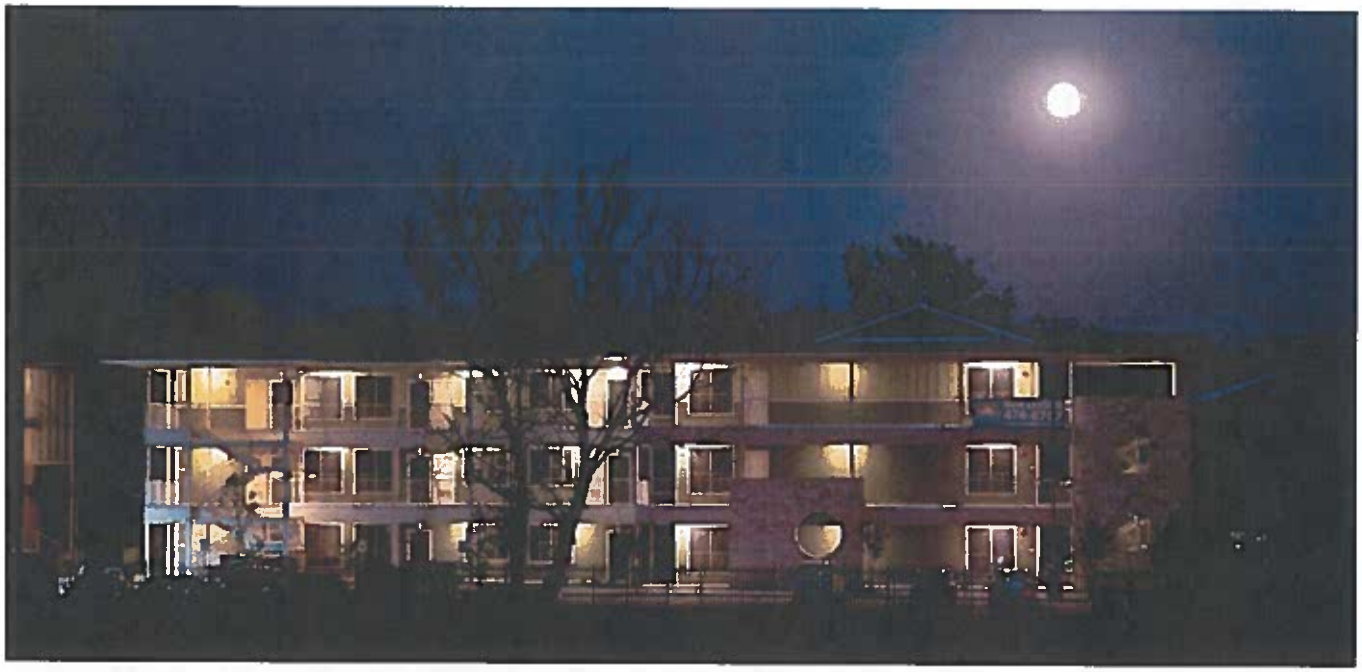
# FOUNDATION COMMUNITIES RESUME



## FOUNDATION COMMUNITIES

At Foundation Communities, we create housing where individuals and families succeed. By combining affordable housing and social services, we empower low-income residents by teaching them the tools and providing the support they need to stabilize and improve their economic standing. Free, on-site programs within our communities eliminate barriers like cost and transportation. **We work in four focus areas:**

1

### OPENING DOORS TO HOMES

We own and manage more than 3,300 apartments across 23 properties—20 in Austin and 3 in the Dallas/Fort Worth area—providing quality homes for both families and individuals. We are committed to having the greenest properties possible, from construction to remodeling to educating residents.

2

### HELPING THE HOMELESS

All FC residents have access to health amenities, resources, and food pantries. We have 727 supportive housing apartments where single adults who have been homeless, are on fixed incomes, or who have chronic health problems and disabilities can reach their maximum level of self-sufficiency. To support families coming out of homelessness, we created the Children's HOME Initiative. These 142 apartments, integrated throughout our affordable housing communities, provide reduced rents and case management support to help vulnerable families move from crisis and instability to long-term self-sufficiency.

3

### LEARNING IN A COMMUNITY

This year, our on-site Learning Centers will give 900 children of working parents considerable academic support and a safe place to go when school is out. Our students maintain an average 3.3 GPA. Adult education is a priority as well. At these same Learning Centers, adult classes offered include computer skills, English as a Second Language, and financial literacy.

4

### SAVING FOR THE FUTURE

We provide free tax preparation in Austin for more than 20,000 low-income workers and retirees each year, with the help of 600 IRS-certified volunteers. Refunds amount to more than $35 million per year, and can equal 25% of a family's annual income. More than 750families annually become smart consumers through financial education and one-on-one financial coaching; at least 50% of them reduce their debt. Matched savings plans assist families in saving to purchase a home, attend college, or start a business.

## BUILDING/PROPERTIES:

Foundation Communities builds and manages award-winning affordable housing. FC now has 23 properties and has developed eight new affordable housing communities in the past eight years, with 2 more to open in 2019 and 2020.

### Under Construction, opening in 2019:

**THE JORDAN AT MUELLER:** 132 units of family housing and learning center in the Mueller neighborhood. Opening in 2019

### Under Construction, opening in 2020:

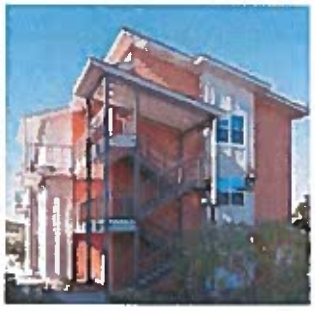
**WATERLOO TERRACE:** 132 units of permanent supportive housing in North Austin. Opening in 2020

### LAKELINE STATION:

128 units of family housing at 13635 Rutledge Spur; state of the art learning center, opened in 2016. Received the 2017 Austin Green Award -- 'Project of the Year'

### LIVE OAK TRAILS:

58 units of family housing at 8500 Highway 71; children will use the learning center at Southwest Trails, FC's property right next door, opening December 2016



### CARDINAL POINT:

120 units of family housing and new learning center in Northwest Austin. Opened in 2017.

### BLUEBONNET STUDIOS:

107 units of service-enriched permanent supportive housing on S Lamar. opened 2016. Received a 2017 Austin Green Award

## HOMESTEAD OAKS:

140 units of family housing in South Austin, new learning center. Opened 2015

## CAPITAL STUDIOS:

135 units of permanent supportive housing. The first affordable housing to be built in downtown Austin in more than 40 years. new construction, opened 2014. Austin Business Journal – 2015 Best Multifamily Project

## ARBOR TERRACE:

120 units of permanent supportive housing; opened 2012. Rehab of former extended-stay hotel. ABJ Commercial Real Estate Award/ Multi-Family Development.

## M STATION:

150 units of family housing; opened 2011. New construction. LEED Platinum certification, Enterprise Green Communities certification, and Austin Energy Green Building 5-Star rated community. Numerous awards, including Austin Green Award; Reader's Choice Award/ Affordable Housing Finance Magazine; Affordable Property of the Year/Austin Apartment Association; Social Impact Award/ABJ Commercial Real Estate Awards.

# EDUCATION

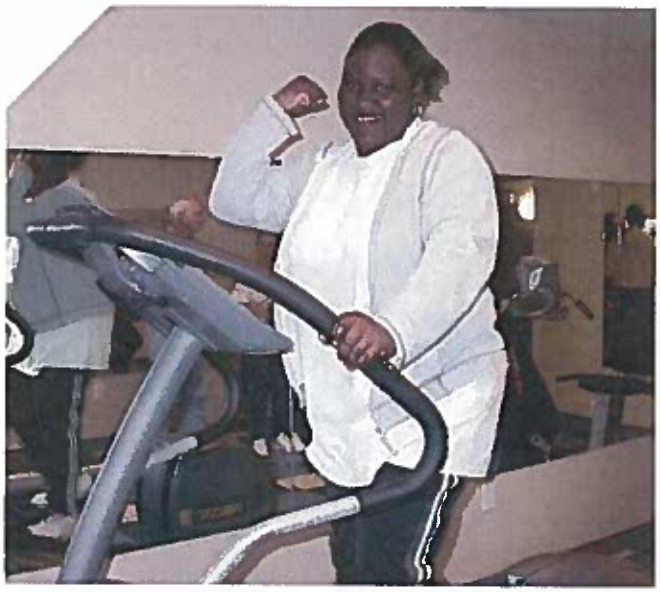
Foundation Communities has 13 on-site Learning Centers, with one more under construction, that serve 900 children each year with educational programming. Offerings range from pre-literacy for 3-and 4-year-olds to teen programs. 800 elementary school kids who live in our housing and the surrounding communities attend our year-round afterschool and summer program, where we work with local elementary schools to identify students' needs. This academically-focused program (3 hours each school day, 5-6 hours in the summer) includes reading, homework help, physical activity, and enrichment.

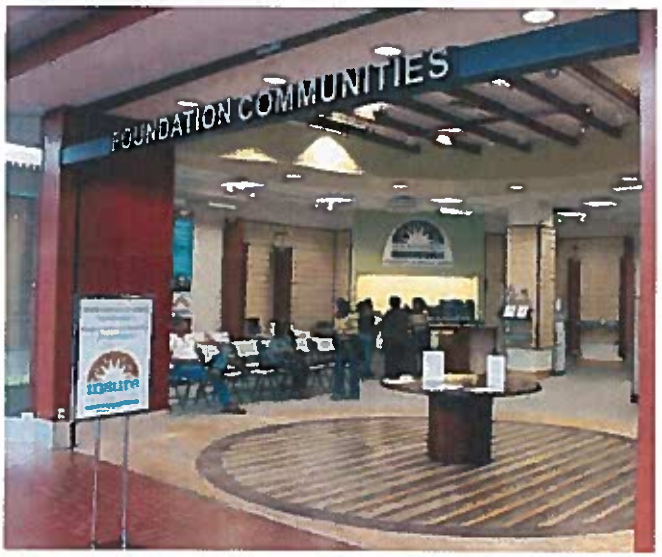
We also serve adults and entire families in our education programs. Free Minds is a year-long cooperative program with UT and ACC, designed for adults who have never attended college or are returning after a long absence; they receive six college humanities credits upon completion. Other adult classes include computer skills, English as a Second Language, exercise classes, and healthy cooking.

# FINANCIAL STABILITY

Foundation Communities' Financial Stability programs help more than 30,000 people each year across our community.

- The Community Tax Centers prepare more than 20,000 tax returns each year in Central Texas, totaling more than $35 million in refunds.
- Incentivized savings allow families to save for emergencies, higher education, or home purchase.
- Financial education and financial coaching give individuals and families the resources they need for economic stability and success, including credit repair and budgeting.
- College Hub helps students with FAFSA forms and figuring out how to apply for college and for scholarships. We work with the Mexican Consulate to administer scholarships to immigrant families.

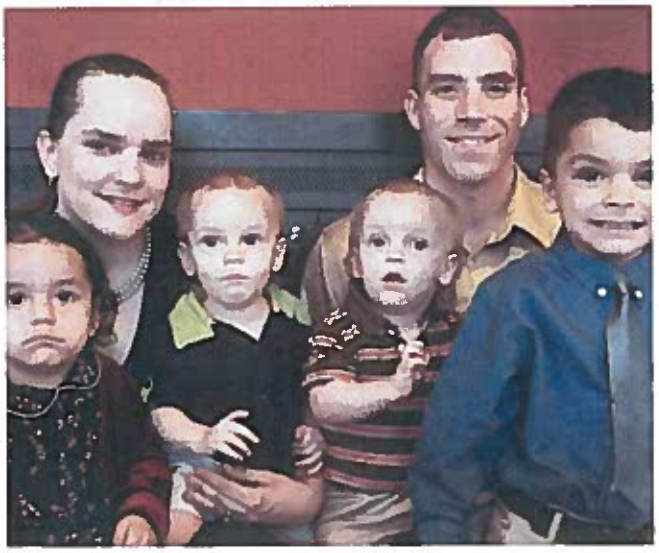





# HEALTH INITIATIVES

Health Initiatives are fundamental to family success and bring healthy living education, activities, and resources to our residents and the community.

- We connect residents to local health resources, in addition to on-site programming: free health fairs, exercise classes (Zumba to yoga), healthy food pantries, gardens, support groups for substance abuse and recovery, and bilingual nutrition and cooking classes.
- Insure Central Texas has enrolled more than 34,000 people in marketplace insurance enrollment under the Affordable Care Act, MAP, CHIP, and Medicaid; Community Health Workers and Navigators help patients with complicated medical conditions (cancer, AIDS) find plans that work with their medical providers.
- The Sustainability Team is engaged from construction through instruction; whole families benefit from healthier products and cost savings. As lifetime owners of our properties, we create the greenest homes possible, using solar panels and other features to save money in the long run.



# FOUNDATION COMMUNITIES

We have an active board made up of residents and community leaders. Staff members are drawn from a wide variety of cultures and skills. The common thread: commitment to Foundation Communities' mission and to serving the community.

Community volunteers tutor students, serve as scholarship mentors, prepare taxes, work as financial coaches, and prepare "Welcome Home" baskets and supper club meals for Foundation Communities' residents.

Financing is fully diversified and, as much as possible, sustainable. 75% of our $44 million budget comes from apartment rentals. The rest is grants and individual donations. We receive grants from governmental sources (federal, state, county, city), foundations, and corporations. Individual donors include "Homebuilders," who make multi-year pledges.

# FOUNDATION COMMUNITIES PARTNERS — Services and Programs

## Learning Centers:

Creative Action

Oak Hill Rotary Club

City Square

Any Baby Can

Literacy Coalition of Central Texas

Breakthrough Austin

College Forward

Boy Scouts & Girl Scouts of Central Texas

Inner City Outings

Texas Civil Rights Project

*(Children's Home Initiative)*

## CHI Partners:

Assistance League of Austin

Capital Area Counseling

Capital Area Food Bank

Goodwill Industries of Central Texas

Travis County Child Protective Services

Housing Authority of the City of Austin

The University of Texas School of Social Work

Ending Community Homeless Coalition

City of Austin Health and Human Services Department

St. David's Foundation

Religious Coalition to End Homelessness

## Financial Programs:

LifeWorks

Round Rock Public Library

Workforce Commission

Housing Authority of Austin

United Way

Financial Literacy Coalition of Central Texas

IRS

UT McCombs School of Business

## Health Initiatives:

WeViva

Keep Austin Fed

Sustainable Food Center

Planned Parenthood

University of Texas School of Public Health

Texas A&M Agrilife Extension

Capital Area Food Bank

Phoenix House

LiveStrong

Kids Vision for Life

Lifeworks

National Alliance on Mental Illness

Seton Healthcare Mobile Mammography

Gilbert's Gazelles

## Permanent Supportive Housing:

Passages

Easter Seals

Casey Foundation

Austin Energy

Lone Star Circle of Care

Caritas of Austin

Salvation Army

Austin Recovery

Communities for Recovery

Austin Clubhouse

Family Eldercare

The University of Texas at Austin School of Nursing

Integral Care (formerly Austin/ Travis Co. MHMR)

YMCA of Austin

Austin Area Mental Health Consumers

Self Help and Advocacy Center

Downtown Austin Community Court

Project Transitions

Veterans Affairs Supportive Housing program

FOUNDATION
COMMUNITIES
creating housing where families succeed

**ADMINISTRATIVE OFFICE**
3036 S. 1st St.
Austin, TX 78704
Phone: 512-447-2026
Fax: 512-447-0288

**COMMUNITY FINANCIAL CENTER**
2600 W. Stassney Ln.
Austin, TX 78745
Tax center: 512-610-7374
Fax: 512-916-4420

Vendor ID 4155 Account #: 8/12/2019

| Invoice | Description | Discount | Amount |
|---|---|---|---|
| LS2 bond app 080919 | Lakeline Phase II AHFC Bon Application | $0.00 | $5,000.00 |
| | Total : | $0.00 | $5,000.00 |

THE FACE OF THIS DOCUMENT HAS A MULTI-COLORED BACKGROUND ON WHITE PAPER

*FC Austin Six Housing Corp.*
*3036 S. First Street #200*
*Austin, TX. 78704*
*512-447-2026*

1009

Compass Bank
5800 N. Mopac
Austin, TX 78731

****Five Thousand and 00/100 Dollars

8/12/2019 $5,000.00

PAY TO THE ORDER OF Austin Housing Fin. Corp.
P.O. Box 1088
Austin, TX 78767

Two signatures required over $10,000

Security Features Included Details on back.

THE BACK OF THIS DOCUMENT CONTAINS CHECK SECURITY WATERMARK AND COIN REACTIVE INK

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