

Financial Statements

WINDY HILL FOUNDATION, INC.
AND SUBSIDIARIES

December 31, 2018

GENERAL ORGANIZATIONAL DATA

WINDY HILL FOUNDATION, INC.

OFFICERS

Jonathan Catherwood, President
Alan Croft, Vice President
Tammy Frazier, Treasurer
Judy Washburn, Secretary
Robert B. Dale, III, Executive Director

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TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

1-2

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Financial Statements	7-27

SUPPLEMENTARY INFORMATION

Consolidating Schedule of Financial Position	28
Consolidating Schedule of Activities	29
Consolidating Schedule of Functional Expenses	30
Consolidating Schedule of Cash Flows	31

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Windy Hill Foundation, Inc. and Subsidiaries
Middleburg, Virginia

We have audited the accompanying consolidated statement of financial statements of Windy Hill Foundation, Inc. and subsidiaries (a nonprofit organization), 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Levis Hill House, LP, a limited partnership, for which WHF-I, Inc., a subsidiary, serves as a non-controlling general partner, the investment in which, as discussed in Note 11 to the financial statements, is accounted for by the equity method of accounting. The investment in Levis Hill House, LP was \$1,332,800 at December 31, 2018. The financial statements of Levis Hill House, LP were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Levis Hill House, LP, is based solely on the report of the other auditors. We did not audit the financial statements of The Plains Housing, LP, a limited partnership, for which WHF-II, Inc., a subsidiary, serves as a non-controlling general partner the investment in which, as discussed in Note 11 to the financial statements, is accounted for by the equity method of accounting. The investment in The Plains Housing, LP was \$300,000 at December 31, 2018. The financial statements of The Plains Housing, LP were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for The Plains Housing, LP, is based solely on the report of the other auditors. We did not audit the financial statements of Shreveport Ridge, LP, a limited partnership, for which WHF-III, Inc., a subsidiary, serves as a non-controlling general partner, the investment in which, as discussed in Note 11 to the financial statements, is accounted for by the equity method of accounting. The investment in Shreveport Ridge, LP was \$0 at December 31, 2018. The financial statements of Shreveport Ridge, LP were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Shreveport Ridge, LP is based solely on the report of the other auditors. We did not audit the financial statements of Washburn Place, LP, a limited partnership, for which WHF-V, Inc., a subsidiary, serves as a non-controlling general partner, the investment in which, as discussed in Note 11 to the financial statements, is accounted for by the equity method of accounting. The investment in Washburn Place, LP was \$864,445 at December 31, 2018. The financial statements of Washburn Place, LP were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Washburn Place, LP is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Windy Hill Foundation, Inc. and subsidiaries as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Windy Hill Foundation, Inc. and subsidiaries taken as a whole. The consolidating financial statements on pages 28-31 are presented for purposes of additional analysis and are not a required part of the financial statements. This supplementary 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit the information is fairly stated in all material respects in relation to the consolidated financial statements as whole.

Report on Summarized Comparative Information

We have previously audited Windy Hill Foundation, Inc. 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leesburg, Virginia
March 25, 2019

Mitchell & Co., P.C.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(with December 31, 2017 comparative totals)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 348,315	\$ 636,324
Investments	873,085	855,535
Beneficial interest in assets held by others	257,872	297,028
Accounts receivable	57,408	41,774
Predevelopment costs	359,955	458,913
Prepaid Expenses	18,479	13,587
Pledged contribution receivable	5,635	9,784
Total current assets	<u>1,920,749</u>	<u>2,312,945</u>
Noncurrent assets		
Cash and cash equivalents, restricted	148,130	34,630
Pledged contribution receivable, net of discount of \$0	-	5,354
Developer fee receivable	230,385	187,416
Due from Subsidiaries	2,047,695	1,510,932
Investment: Levis Hill House, LP	1,332,800	1,332,800
Investment: The Plains Housing, LP	300,000	300,000
Investment: Washburn Place, LP	864,445	885,000
Capitalized costs, net of accumulated amortization of \$6,081	26,829	22,177
Property and equipment, net of accumulated depreciation of \$2,668,727	<u>3,893,169</u>	<u>3,871,383</u>
	<u>8,843,453</u>	<u>8,149,692</u>
Total assets	<u>\$ 10,764,202</u>	<u>\$ 10,462,637</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable/accrued expenses	105,939	110,132
Security deposits	20,962	18,143
Restricted Donation	150,000	200,000
Prepaid rents	376	1,248
Mortgage and notes payable, current portion	<u>155,261</u>	<u>1,887,627</u>
Total current liabilities	<u>432,538</u>	<u>2,217,150</u>
Mortgage and notes payable	<u>3,564,043</u>	<u>1,934,564</u>
Total liabilities	<u>3,996,581</u>	<u>4,151,714</u>
Net assets		
Without Donor Restrictions		
Undesignated	(1,569,481)	(1,477,704)
Prepaid and predevelopment costs	378,109	472,500
Invested in capital assets net of related debt	1,938,704	1,903,586
Subsidiary notes receivable	1,547,695	1,510,932
Invested in subsidiaries	2,497,245	2,517,800
Designated for endowment	48,788	58,829
With Donor Restrictions	<u>1,926,561</u>	<u>1,324,980</u>
Total net assets	<u>6,767,621</u>	<u>6,310,923</u>
Total liabilities and net assets	<u>\$ 10,764,202</u>	<u>\$ 10,462,637</u>

See Notes to Financial Statements.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (with December 31, 2017 summary comparative totals)

	2018			2017 Total
	Unrestricted	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Public Support				
Contributions	\$ 291,237	\$ 404,082	\$ 695,319	\$ 586,384
Grants	-	612,087	612,087	90,818
Fashion show and Gala, net of expenses of \$152,944 and net of restricted donations of \$90,200	90,906	-	90,906	163,049
Total public support	382,143	1,016,169	1,398,312	840,251
Revenue				
Rental income	309,350	-	309,350	290,777
Development fees	101,663	-	101,663	35,028
Interest and investment income	71,493	(64,479)	7,014	293,853
Other income	2,938	-	2,938	1,761
	485,444	(64,479)	420,965	621,419
Net assets released from restriction:				
Satisfaction of usage restrictions	343,963	(343,963)	-	-
Total support and revenues	1,211,550	607,727	1,819,277	1,461,670
EXPENSES				
Program services	1,111,425	-	1,111,425	1,091,118
Supportive services:				
Management and general	177,843	6,146	183,989	307,703
Fundraising	67,165	-	67,165	31,333
Total expenses	1,356,433	6,146	1,362,579	1,430,154
Change in net assets	(144,883)	601,581	456,698	31,516
Net assets, beginning of year	4,985,943	1,324,980	6,310,923	6,279,407
Net assets, end of year	\$ 4,841,060	\$ 1,926,561	\$ 6,767,621	\$ 6,310,923

See Notes to Financial Statements.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(with December 31, 2017 summary comparative totals)**

	<u>Supporting Services</u>			2018	2017
	Programs	Management & General	Fundraising		
Depreciation expense	\$ 199,622	\$ -	\$ -	\$ 199,622	\$ 180,358
Payroll expenses	36,877	55,724	33,016	125,617	98,157
Family development	304,397	-	-	304,397	219,785
Rent Subsidy	80,660	-	-	80,660	112,297
Fundraising	-	-	23,098	23,098	16,622
Insurance and taxes	16,417	31,158	-	47,575	56,961
Interest	169,254	-	-	169,254	168,467
Maintenance	44,880	-	-	44,880	41,189
Management fees	65,242	-	-	65,242	93,893
Miscellaneous expense	3,956	5,863	-	9,819	13,359
Office expenses	10,363	15,662	11,051	37,076	43,724
Professional services	146,141	75,582	-	221,723	332,687
Utilities	33,616	-	-	33,616	26,181
Total expenses	\$ 1,111,425	\$ 183,989	\$ 67,165	\$ 1,362,579	\$ 1,403,680

See Notes to Financial Statements.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with December 31, 2017 comparative totals)**

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 456,698	\$ 31,516
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	199,622	181,857
Pledged contribution receivable	9,503	11,839
Unrealized (gains) losses on investments	70,018	(132,226)
Investment (income) loss restricted for permanent reinvestment	64,479	-
(Increase) decrease in assets:		
Accounts receivable	(4,796)	114,024
Prepaid expenses	(4,892)	(9,494)
Due from The Plains Housing, LP	19,666	4,783
Developer fee receivable	(53,807)	14,617
Predevelopment costs	98,958	(29,644)
Increase (decrease) in liabilities:		
Accounts payable	(4,193)	32,836
Security deposits	2,819	(789)
Prepaid rents	(872)	(1,394)
Deferred income	(50,000)	(55,000)
Net cash provided by (used in) operating activities	803,203	(12,359)
Cash Flows From Investing Activities		
Purchase of investments	(48,412)	(618,963)
Purchase of property and equipment	(216,982)	(221,552)
Net cash (used in) investing activities	(265,394)	(840,515)
Cash Flows From Financing Activities		
Investment income(loss) restricted for permanent reinvestment	(64,479)	175,284
Intercompany notes proceeds (advances)	(556,429)	3,948
Principal payments on notes payable	(1,902,887)	(1,558,347)
Proceeds from notes payable	1,790,922	1,536,350
Capital contributions	20,555	(60,000)
Net cash provided by (used in) financing activities	(712,318)	97,235
Net (decrease)/increase in cash and equivalents	(174,509)	(755,639)
Cash and Cash Equivalents		
Beginning of year	670,954	1,426,593
End of year	\$ 496,445	\$ 670,954
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 169,254	\$ 168,467

See Notes to Financial statements

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Windy Hill Foundation, Inc. (“the Foundation”) and subsidiaries (“Windy Hill”) was organized to acquire, construct, provide, and operate rental housing and related facilities suited to the special needs and living requirements of eligible occupants, without regard to race, color, religion, sex, age, handicap, marital or familial status, or national origin.

Windy Hill Development Company, LLC (the “Development Company”), a subsidiary, was incorporated for the purpose of providing real estate development, consulting, and construction management services for the benefit of the Foundation and the programs conducted by it.

WHF-I, Inc., a subsidiary, was incorporated for the purpose of acquiring, owning, and holding a partnership interest in, and serving as the general partner of a Virginia limited partnership that will acquire, own, develop and operate affordable housing. The Foundation is the sole shareholder in WHF-I, Inc. There is no activity in WHF-I, Inc. beyond that of the limited partnership.

Levis Hill House Limited Partnership (“Levis”) was formed in September 2005, under the laws of the Commonwealth of Virginia, for the purpose of constructing and operating a 20-unit apartment community (“Levis Hill House Apartments”), located in Middleburg, Virginia. The community was financed with a Virginia Housing Development Authority (“VHDA”) multi-family loan and therefore is regulated by VHDA as to rent charges and operating methods. The apartment community began operations in September 2008. The management of the Partnership and the ongoing management of Levis Hill House Apartments are vested in the partners. The Partnership has hired TM Associates Management, Inc., an affiliate of one of the Developers, to provide day to day management for the property. Compensation for such services is as determined under the partnership and management agreements. WHF-I, Inc. serves as general partner but is not identified as a controlling general partner.

WHF-II, Inc., a subsidiary, was incorporated for the purpose of acquiring, owning, and holding a partnership interest in, and serving as the general partner of a Virginia limited partnership that will acquire, own, develop and operate affordable housing. The Foundation is the sole shareholder in WHF-II, Inc. There was no activity in WHF-II, Inc. beyond that of the limited partnership.

The Plains Housing, LP (“The Plains”) was formed in March 2010, under the laws of the Commonwealth of Virginia, for the purpose of constructing and operating a 16-unit apartment community (“Piedmont Lane”) located in The Plains, Virginia. The community was financed with a Virginia Housing Development Authority (“VHDA”) multi-family loan and therefore is regulated by VHDA as to rent charges and operating methods. The apartment community began operations in March 2012. The management of the Partnership and the ongoing management of Piedmont Lane are vested in the partners. The Partnership has hired TM Associates Management, Inc., an affiliate of one of the Developers, to provide day to day management for the property. Compensation for such services is as determined under the partnership and management agreements. WHF-II, Inc. serves as general partner but is not identified as a controlling general partner.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Nature of Activities (Continued)

WHF-III, Inc., a subsidiary, was incorporated for the purpose of acquiring, owning, and holding a partnership interest in, and serving as the general partner of a Virginia limited partnership that will acquire, own, develop and operate affordable housing. The Foundation is the sole shareholder in WHF-III, Inc. Activity in WHF-III, Inc. relates to partnership distributions and the related taxes.

Shreveport Ridge Limited Partnership (“Shreveport”) was formed in March 2012 under the laws of the Commonwealth of Virginia, for the purpose of constructing and operating a 98 unit affordable housing community located in the Brambleton, Virginia area. The management of the Partnership and the ongoing management is vested in the general partners. The Partnership has hired TM Associates Management Inc., an affiliate of one of the Developers, to provide project development and day to day management of the property. Compensation for such services is as determined under the partnership and management agreements. WHF-III, Inc. serves as one of the general partners but is not identified as the controlling general partner.

WHF-V, Inc., a subsidiary was incorporated for the purpose of acquiring, owning and holding a partnership interest in, and serving as the general partner of a Virginia limited partnership that will acquire, own, develop and operate affordable housing. The Foundation is the sole shareholder in WHF-V, Inc. There was no activity in WHF-V, Inc. beyond that of the limited partnership.

Washburn Place Limited Partnership (“Washburn”) was formed in February 2015 under the laws of the Commonwealth of Virginia, for the purpose of constructing and operating a 30 unit affordable housing community located in Marshall, Virginia. The management of the Partnership and the ongoing management is vested in the general partner. The Partnership has hired TM Associates Management Inc., an affiliate of one of the Developers, to provide project development and day to day management of the property. Compensation for such services is as determined under the partnership and management agreements. Construction on this project began in 2016 and was completed in 2018. WHF-V serves as the general partner but is not identified as a controlling general partner.

WHF-VII, Inc., a subsidiary was incorporated for the purpose of acquiring, owning and holding a partnership interest in, and serving as the general partner of a Virginia limited liability company that will acquire, own, develop and operate affordable housing. The Foundation is the sole shareholder in WHF-VII, Inc. There was no activity in WHF-VII, Inc. beyond that of the limited liability company.

Heronview GP LLC was formed in February 2016 under the laws of the Commonwealth of Virginia, for the purpose of constructing and operating a 96 unit affordable housing community located in Ashburn Virginia. The management of the Company and the ongoing management is vested in the two general partners. Construction on this project began in late 2017 and is expected to be completed in 2019. WHF-VII is a member of the LLC but is not a controlling member.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies

A summary of Windy Hill's significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting: Windy Hill utilizes the accrual basis of accounting, whereby income is recognized as earned and expenses are recognized as obligations are incurred.

Basis of Presentation: Financial statements presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standards Codification (ASC) Topic 958 dated August 2016, *Not-For-Profit Entities*, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations". (ASC) 958-205 was effective January 1, 2018. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restriction: Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restriction: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Rental Income: Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between Windy Hill and its tenants are operating leases.

Cash and Cash Equivalents: Cash and cash equivalents consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds, certificates of deposit, and petty cash.

Investments: Investments are stated at fair market value. Investments consist of mutual funds.

Accounts Receivable: Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. No substantial bad debts were incurred for the year ended December 31, 2018.

Fair Value of Financial Instruments: Windy Hill considers the recorded value of its financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable, and accounts payable to approximate the fair value of the respective assets and liabilities as of December 31, 2018 based on the short-term nature of the assets and liabilities.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Capitalized Costs: Loan costs in connection with Windy Hill's permanent financing are amortized over the life of the related loans using the straight-line method. As of December 31, 2018, combined capitalized costs totaled \$32,860 with accumulated amortization of \$6,030 and an unamortized balance of \$26,829.

Rental Property: Rental property is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the Statements of Operations.

The rental property is depreciated over estimated service lives as follows:

Description	Years	Method
Buildings and improvements	20 - 27.5	Straight-Line/MACRS
Land improvements	10 - 15	Straight-Line/MACRS
Furnishings and equipment	5 - 7	Straight-Line/MACRS

Windy Hill reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2018.

Members' Equity: Profit and loss of Windy Hill Development is allocated to Windy Hill Foundation, Inc. as its sole member.

Levis Partners' Equity: Profit and loss is to be allocated to WHF-I, Inc. (.01%) ("Levis General Partner"), Boston Capital Tax Credit Fund XXIX, A Limited Partnership (99.99%), ("Levis Investment Limited Partner") and BCCC, Inc. (0%) ("Levis Special Limited Partner") (collectively the "Levis Limited Partners") other than special allocations (as defined by the Levis Partnership Agreement) and certain other items which would be specifically allocated to the partners in accordance with the Levis Partnership Agreement.

The Plains Partners' Equity: Profit and loss is to be allocated to WHF-II, Inc. (.01%) ("The Plains General Partner"), Boston Capital Tax Credit Fund XXXIV, a Limited Partnership, (99.99%) ("The Plains Investment Limited Partner") and BCCC, Inc. (0%) ("The Plains Special Limited Partner") (collectively, "The Plains Limited Partners") other than special allocations (as defined by The Plains Partnership Agreement) and certain other items that would be specifically allocated to the partners in accordance with The Plains Partnership Agreement.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Shreveport Partners' Equity: Profit and loss is to be allocated to WHF-III, Inc. (.005%) and MARG Rural, LLC (.005%) (General Partners) and MARG Rural, LLC (99.99%), (Investment Limited Partner) other than special allocations to the partners in accordance with the Partnership Agreement.

Washburn Partners' Equity: Profit and loss is to be allocated to WHF-V, Inc. (.005%) and MARG Rural, LLC (.005%) (General Partners) and MARG Rural, LLC (99.99%), (Investment Limited Partner) other than special allocations to the partners in accordance with the Partnership Agreement.

Heronview LLC Equity: Profit and loss is to be allocated to WHF-VII, Inc. (49%) and Flatiron Holdings LLC (51%) other than special allocations to the members in accordance with the operating agreement.

Donated Non-cash Assets: Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Advertising: Advertising costs are expensed as incurred.

Contributions: Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realized value.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Levis and The Plains Allowable Distributions to Partners: Under the Loan Agreement for VHDA financed projects, distributions to partners from funds provided by rental operations are allowed, provided: 1) surplus cash, as defined by VHDA, is available for such purposes; 2) the project is in compliance with all outstanding notices of requirements for proper maintenance; and 3) there is no default under the Regulatory Agreement or under the mortgage note. There were no distributions during 2017.

New Accounting Pronouncement: On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expense and investment return. Windy Hill Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Functional Expenses: The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Management allocates all costs directly when possible. Accordingly, certain costs have been allocated among program services and supporting services benefited such allocations are determined by management based on their natural cost driver. The expenses that are allocated include the following:

Natural Category	Allocation Method
Personnel costs	Time and effort
Office expenses	Time and effort

Note 2. Income Taxes

Foundation: The Foundation was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code November 28, 1983.

Development: For federal income tax purposes, Development is taxed on all income from unrelated business activities reduced by expenses from unrelated business activities for which a profit motive exists. Unrelated business income is not offset by tax exempt function expenses. As the sole member of the Development Company, the Foundation files IRS Form 990-T, which has graduated tax rates of 15% to 34% that are applied to net unrelated business taxable income. No provision or benefit for taxes has been included in the financial statements since the Development Company has been operating at a loss and has net operating losses that are being carried forward. There is no deferred benefit related to the net operating losses because the benefit has been fully reserved due to the uncertainty of recovery.

Subsidiaries: WHF-I, Inc., WHF-II, Inc. WHF-III, Inc., WHF-V and WHF-VII as C-Corporations, file their own returns utilizing IRS Form 1120. At December 31, 2018, WHF-III has accrued taxes of \$19,571 related to income from Shreveport Ridge.

Levis: No provision or benefit for income taxes has been included in these financial statements since taxable income passes through to, and is reportable by, the partners individually. Levis files the required IRS Form 1065.

The Plains: No provision or benefit for income taxes has been included in these financial statements since taxable income passes through to, and is reportable by, the partners individually. The Plains files the required IRS Form 1065.

Shreveport: No provision or benefit for income taxes has been included in these financial statements since taxable income passes through to, and is reportable by, the partners individually. Shreveport files the required IRS Form 1065.

Washburn: No provision or benefit for income taxes has been included in these financial statements since taxable income passes through to, and is reportable by, the partners individually. Washburn files the required IRS Form 1065.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 2. Income Taxes (Continued)

Heronview: No provision or benefit for income taxes has been included in these financial statements since taxable income passes through to, and is reportable by, the partners individually. Heronview will file the required IRS form.

Windy Hill accounts for uncertainty in income taxes in accordance with Accounting Standards Codification (“ASC”) 740 Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Windy Hill determined that all income tax filing positions would be sustained upon examination and accordingly, has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions pursuant to ASC 740 Income Taxes as of December 31, 2018. Windy Hill’s income tax returns for the tax years 2014, 2015, 2016, 2017 and 2018 remain subject to examination by a taxing authority.

Note 3. Cash and Cash Equivalents and Concentrations of Credit Risk

At December 31, 2018, banking cash deposits and reported cash deposits consist of the following:

Description	Banking Balances	Reported Cash Balances
Access Bank	\$ 290,524	\$ 261,683
Bank of Charles Town	84,003	90,389
Oakview Bank	120,680	120,680
Wells Fargo	4,112	4,112
Paypal account	18,373	18,373
Charles Schwab-money market	858	858
Petty Cash	-	350
	<u>\$ 518,550</u>	<u>\$ 496,445</u>

Windy Hill maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. Windy Hill has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2018, the Organization had deposits in excess of FDIC limits of \$40,524. The cash at Charles Schwab was held in a money market fund which is insured by SIPC private insurance.

Restricted cash balances consist of tenant security deposits and money required to be held as a condition of a loan.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments

A summary of investments at December 31, 2018 is as follows:

Description	Cost	Carrying Value Fair Value	Accumulated Unrealized Gain/(Loss)
Morgan Stanley			
Equity investments	\$ 11,016	\$ 10,149	\$ (867)
Schwab account			
Bond mutual fund	153,550	152,458	(1,092)
Equity mutual fund	526,049	532,016	5,967
Fidelity Investments			
Equity mutual fund	106,506	178,462	71,956
	<u>\$ 797,121</u>	<u>\$ 873,085</u>	<u>\$ 75,964</u>

Note 5. Fair Value Measurements

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Windy Hill has the ability to access.
- Level 2:* Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

- Mutual Funds:* Valued at the net asset value ("NAV") of shares held by Windy Hill at year end.
- Equity Stock:* Valued at the market value of shares held by the Organization at year end.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of the Organization's year end date:

December 31, 2018	Level 1	Level 2	Level 3	Total
Equity Stock	\$ 10,149	\$ -	\$ -	\$ 10,149
Mutual Funds	862,936	-	-	862,936
Total	<u>\$ 873,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 873,085</u>

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 6. Property and Equipment

The following is a summary of property and equipment at December 31, 2018:

Description	
Land	\$ 1,121,451
Buildings and improvements	5,203,816
Roads	147,576
Lots	65,374
Furnishings and equipment	23,679
	<u>6,561,896</u>
Less: accumulated depreciation	<u>(2,668,727)</u>
	<u><u>\$ 3,893,169</u></u>

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 7. Mortgage and Notes Payable

Mortgage and project notes payable consist of the following at December 31, 2018:

Description	Amount
\$1,500,000 secured note payable to Oak View National Bank dated December 7, 2017, interest at 5.25%, payable in 19 quarterly payments of \$26,978 with a final balloon payment due on October 7, 2022	1,457,498
\$1,800,000 secured note payable to Bank of Charles Town dated September 27, 2018, interest at 3.50%, payable in 83 monthly payments of \$9,060 with a final balloon payment due on September 27, 2025	1,788,188
\$100,000 note payable to Loudoun County, Virginia dated June 23, 2010, interest at 1.00%, interest only payments until June 2010, payable after which in 468 monthly payments of \$258 and due June 23, 2050.	83,673
\$287,906 unsecured note payable guaranteed by Mark Ohrstrom to Oak View National Bank dated May 9, 2014, interest at 4.375%, payable in quarterly interest installments on the outstanding balance. Annual principal payments of \$40,000 with balance due in full March 30, 2019.	70,059
\$120,000 note payable to Southeast Rural Community Assistance Project, Inc. dated October 15, 2015, interest at 4%, payable in monthly principal and interest payments of \$470.19. Annual payments will be made and held to pay off any remaining balance at the due date of October 15, 2025	114,977
\$40,000 note payable to Southeast Rural Community Assistance Project, Inc. dated October 15, 2015, interest at 4%, payable in monthly principal and interest payments of \$156.72. Annual payments will be made and held to pay off any remaining balance at the due date of October 15, 2025.	38,632
\$176,000 mortgage guaranteed by Mark Ohrstrom to Access Bank dated September 19, 2016, interest at 3.90%, payable in 59 monthly payments of 924.73 each with a last payment of \$154,108.	166,277
	<u>3,719,304</u>
Less: current portion	<u>(155,261)</u>
	<u><u>\$ 3,564,043</u></u>

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 7. Mortgage and Notes Payable (Continued)

There has been no significant change in interest rates available to the Windy Hill. Therefore, the fair value of the mortgage notes approximates the book values.

Maturities of the loan, mortgages, and notes payable are as follows:

Year	Amount
2019	\$ 155,261
2020	88,427
2021	244,175
2022	1,414,699
2023	56,878
Thereafter	1,759,863
	<u>\$ 3,719,304</u>

Note 8. Guarantees

Levis Operating Deficit Guaranty: The Levis Partnership Agreement provides for an operating deficit guaranty, whereby the Guarantors, or an affiliate, shall be obligated to provide up to \$50,000 to satisfy any operating deficits over a defined period commencing on the certificate of occupancy date to permit Levis to meet all reasonable costs of operations. Such funding shall be treated as a non-interest bearing loan and be payable as cash flow permits as determined by the Levis Partnership Agreement. The Guarantors do not receive a fee for providing this guaranty. The Guarantors have not advanced any funds to Levis pursuant to this agreement.

Levis Tax Credit Guaranty: The Levis Partnership Agreement was amended to include the guaranty associated with Levis' allocation of Federal Housing Tax Credits. Levis is allocated Federal Housing Tax Credits under the program described by the IRC Section 42. The Levis Partnership Agreement provides for a credit reduction payment if the total amount of credits obtained is less than the total amount projected, there is a timing difference in the tax credits made available to the Levis Investment Limited Partner when compared to what was projected or the Levis Investment Limited Partner is at any time obligated to recapture credits previously claimed. The Levis Investment Limited Partner shall reduce its required capital contribution by the amount of the shortfall (as defined in the Levis Partnership Agreement). In the event that the Levis Investment Limited Partner's capital contribution cannot be reduced, the Guarantors will pay the Levis Investment Limited Partner up to a specified amount detailed in the Levis Partnership Agreement for the credits lost. Amounts paid by the Guarantors pursuant to this agreement shall be treated as a non-interest bearing loan and be payable as cash flow permits as determined by the Levis Partnership Agreement. The Guarantors do not receive a fee for providing this guaranty. There were no credit reduction payments made during 2018.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 8. Guarantees (Continued)

The Plains Completion Guaranty: The Plains Partnership Agreement provides for a construction period completion guaranty, whereby the Developer and The Plains General Partner (collectively, the “Guarantors”) guarantees that the project will be constructed in accordance with defined plans and specifications. The guaranty includes funding all amounts incurred to complete construction in excess of existing sources of financing and any operating deficits prior to rental achievement (as defined by The Plains Partnership Agreement). Any financing arrangements made by the Guarantors and funds advanced by the Guarantors under this agreement would be in the form of a non-interest bearing advance not to exceed the amount of the deferred development fee agreed to by The Plains Limited Partners, and would be repaid by The Plains as cash flow permits.

The Plains Operating Deficit Guaranty: The Plains Partnership Agreement also provides for an operating deficit guaranty, whereby The Plains General Partner, or an affiliate, shall be obligated to provide up to \$120,000 to satisfy any operating deficits over a defined period commencing after rental achievement to permit The Plains to meet all reasonable costs of operations. Such funding shall be treated as a non-interest bearing loan and be payable as cash flow permits as determined by The Plains Partnership Agreement. The Plains General Partner does not receive a fee for providing this guaranty. The Plains General Partner has not advanced any funds to The Plains pursuant to this agreement.

The Plains Tax Credit Guaranty: The Plains has been allocated Federal Housing Tax Credits under the program described by the IRC Section 42. The Plains Partnership Agreement provides for a credit reduction payment if the total amount of credits obtained is less than the total amount projected, there is a timing difference in the tax credits made available to The Plains Limited Partners when compared to what was projected or The Plains Limited Partners are at any time obligated to recapture credits previously claimed. The Plains Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in The Plains Partnership Agreement).

In the event that The Plains Limited Partners’ capital contribution cannot be reduced, the Guarantors will pay The Plains Limited Partners up to a specified amount detailed in The Plains Partnership Agreement for the credits lost. Amounts paid by the Guarantors pursuant to this agreement shall be treated as a non-interest bearing loan and be payable as cash flow permits as determined by The Plains Partnership Agreement. The Guarantors does not receive a fee for providing this guaranty.

Shreveport Operating Deficit Guaranty: The Shreveport Partnership Agreement provides for an operating deficit guaranty from the General Partners after all funds have been depleted from the Operating Reserve. The guaranty requires the General partners to provide up to \$512,308 to satisfy any operating deficits over a defined period to permit the Partnership to meet all reasonable cost of operations. Such funding shall be treated as a non-interest bearing loan and be payable as cash flow permits as determined by the Partnership Agreement. The General Partners do not receive a fee for providing this guaranty. No funds have been advanced to the Partnership pursuant to the agreement.

Shreveport Tax Credit Guaranty: Shreveport has been allocated Federal Housing Tax Credits under the program described by the IRC Section 42 and Federal Business Energy Investment Tax Credits described in IRC Section 48 and expanded by ARRA in 2009. The Shreveport Partnership Agreement provides for a credit reduction payment if the total amount of credits obtained is less than the total amount projected, there is a timing difference in the tax credits made available to Shreveport’s Limited Partners when compared to what was projected or Shreveport’s Limited Partners are at any time obligated to recapture

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 8. Guarantees (Continued)

credits previously claimed. Shreveport's Limited Partners shall reduce their required capital contribution by the amount of the shortfall (as defined in Shreveport Partnership Agreement).

In the event that Shreveport's Limited Partners' capital contribution cannot be reduced, the Guarantors will pay Shreveport's Limited Partners up to a specified amount detailed in Shreveport's Partnership Agreement for the credits lost. Amounts paid by the Guarantors pursuant to this agreement shall be treated as a capital contribution to the Partnership, as determined by the Partnership Agreement. The Guarantors does not receive a fee for providing this guaranty.

Washburn Operating Deficit Guaranty: The Washburn Partnership Agreement provides for an operating deficit guaranty from the General Partner after all funds have been depleted from the Operating Reserve. The guaranty requires the General partner or an affiliate, to provide up to \$200,000 to satisfy any operating deficits over a defined period to permit the Partnership to meet all reasonable cost of operations. Such funding shall be treated as a non-interest bearing loan and be payable as cash flow permits as determined by the Partnership Agreement. The General Partner does not receive a fee for providing this guaranty. No funds have been advanced to the Partnership pursuant to the agreement.

Washburn Tax Credit Guaranty: Washburn has been allocated Federal Housing Tax Credits under the program described by the IRC Section 42. Washburn Partnership Agreement provides for a credit reduction payment if the total amount of credits obtained is less than the total amount projected, there is a timing difference in the tax credits made available to the Investment Limited Partner when compared to what was projected or the Investment Limited Partner are at any time obligated to recapture credits previously claimed. The Investment Limited Partner shall reduce their required capital contribution by the amount of the shortfall (as defined in the Partnership Agreement).

In the event that the Limited Partner's capital contribution cannot be reduced, the Guarantors will pay the Investment Limited Partners up to a specified amount detailed in Washburn Partnership Agreement for the credits lost. Amounts paid by the Guarantors pursuant to this agreement shall be treated as a non-interest bearing loan and be payable as cash flow permits, as determined by the Partnership Agreement. The Guarantors does not receive a fee for providing this guaranty.

Note 9. Related Party Transactions

Tax Preparation and Bookkeeping Services: The Executive Director of the Foundation is a previous partner of Yount, Hyde and Barbour, P.C. (YHB) and maintains a deferred compensation arrangement with the organization. YHB prepares the tax returns for the Foundation and performs bookkeeping services. During 2018, the Foundation paid YHB \$21,396 for tax and bookkeeping services.

Event Production: A board member of Windy Hill is an owner of a production company, Middleburg Online, Inc., that performs services related to the Gala. During 2018, the Foundation paid Middleburg Online \$4,100.

Levis Advances: As Developer, Windy Hill Development Company advanced funds to Levis to pay certain construction related costs. The amount owed to Windy Hill Development Company related to these advances was \$51,042 at December 31, 2018.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 9. Related Party Transactions (Continued)

Levis Note Payable: Levis entered into a non-interest bearing note payable with The Foundation totaling \$800,000. Principal is due in monthly installments of \$667, as cash flow of the Partnership permits. The entire unpaid balance is due on December 31, 2037. At December 31, 2018, the unpaid balance is \$740,224.

Levis Partnership Management Fee: Levis shall pay to the Levis General Partner a non-cumulative annual partnership administrative fee for their services in connection with the administration of the day to day business of Levis, in the amount of \$2,000, to the extent there is cash available from operations. No partnership administrative fee was paid during 2018.

The Plains Development fee: The development agreement provides that a development fee be paid to the Developer for providing certain development services and guarantees for the completion of the development of the apartment community. At December 31, 2018 the development fee owed to Windy Hill Development Company was \$0.

The Plains Note Payable: The Plains entered into a non-interest bearing note payable with WHF-II totaling \$700,000. Principal is due annually, the second year after project completion, in the amount of \$7,000 from cash flow as defined in the Partnership agreement. At December 31, 2018, the unpaid balance is \$621,428.

The Plains Partnership Management Fee: The Plains shall pay to The Plains General Partner a cumulative annual partnership management fee in the amount of \$1,200, increasing annually by two percent (2%). No partnership management fee was paid in 2018. Accrued and unpaid partnership management fees as of December 31, 2018 totaled \$8,920 and are included in Due to Partners. These fees will be paid contingent on cash available from operations.

The Plains Incentive Management Fee: The Plains shall pay to The Plains General Partner a non-cumulative incentive management fee. The fee is payable solely from available cash flow and is equal to sixty percent (60%) of any remaining cash flow available for distribution, not to exceed twelve percent (12%) of the gross revenues of The Plains. No incentive management fee was paid in 2018.

Washburn Advances: Windy Hill Foundation advanced funds to Washburn for certain construction related expenses. The amount outstanding at December 31, 2018 was \$135,000. This is a non interest bearing note with annual payments of \$1,350 beginning in 2020.

Washburn Place Note payable: Windy Hill Foundation received a \$500,000 grant from Federal Home Loan Bank to be used for affordable housing. The grant was loaned to Washburn Place to complete the construction of the project. If the project does not remain affordable housing for 15 years, the grant will need to be repaid to the Bank. Assuming this condition is met, repayment to Windy Hill is 30 years. No interest will accrue, unless conditions are not met.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 10. Contingency Fee Income (Unaudited)

The Shreveport Ridge, Llewellyn Village Apartments, the Woods, Washburn and Heronview projects contain various contingency fee payout provisions based on certain criteria being met and achieved. Upon meeting these specific criteria items, Windy Hill would be paid a developer fee. At December 31, 2018 the outstanding contingent developer fees balances remaining not recorded due to the contingency as estimated by management include and Heronview \$1,074,822.

Note 11. General Partnership Investments

WHF, I, Inc., a Virginia corporation is a .01% general partner in Levis Hill House Limited Partnership. Management has not identified WHF, I, Inc. as being the controlling entity and therefore the 2018 transactions have not been consolidated herein. WHF, I has an investment of \$1,332,800 in Levis Hill House Limited Partnership. WHF, II, Inc., a Virginia corporation is a .01% general partner in The Plains Limited Partnership. Management has not identified WHF, II, Inc. as being the controlling entity and therefore the 2018 transactions have not been consolidated herein. WHF, II has an investment of \$300,000 in The Plains Limited Partnership. WHF, III, Inc., a Virginia corporation, is a .005% general partner in Shreveport Ridge Limited Partnership along with MARG Rural, LLC, a West Virginia limited liability company. Management has not identified WHF, III, Inc. as being the controlling entity and therefore the 2018 transactions have not been consolidated herein. WHF, V, Inc., a Virginia corporation, is a .005% general partner in Washburn Place Limited Partnership along with MARG Rural, LLC, a Virginia limited liability company. Management has not identified WHF, V, Inc. as being the controlling entity and therefore the 2018 transactions have not been consolidated herein. WHF, V has an investment of \$864,445 in Washburn Place Limited Partnership. The following is a summary of the 2018 balance sheet and Profit and loss of the Partnerships audited by other auditors, who issued an unqualified opinion on the financial statements. WHF, VII, Inc., a Virginia corporation, is a 49% member in Heronview GP, LLC, which is a .009% general partner in Heronview VA, LLC. Management had not identified WHF, VII, Inc. as being the controlling entity. Construction continued during 2018 and should be completed in 2019. No financial statements have been produced for 2018.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 11. General Partnership Investments (Continued)

Item	Audited by Other Auditors			
	Levis Hill House, LP	The Plains, LP	Shreveport Ridge, LP	Washburn Place, LP
Cash deposits	\$ 6,072	\$ 34,922	\$ 288,381	\$ 282,542
Restricted deposits	75,618	53,673	735,010	224,739
Accounts receivable	-	315	295	935
Prepaid expenses	951	761	4,088	103
Capitalized costs	5,522	14,199	73,452	32,088
Rental property	3,027,434	3,747,531	16,362,790	8,693,544
Total assets	\$ 3,115,597	\$ 3,851,401	\$ 17,464,016	\$ 9,233,951
Accounts payable	\$ 18,742	\$ 16,459	\$ 14,729	\$ 359,350
Due to developer	56,042	-	-	479,525
Accrued interest	1,486	4,847	-	11,885
Tenant security deposits - other	13,300	15,997	94,519	35,082
Notes Payable	1,432,737	1,969,240	5,932,561	3,818,424
Partners' Equity	1,593,290	1,844,858	11,422,207	4,529,685
Total liabilities & equity	\$ 3,115,597	\$ 3,851,401	\$ 17,464,016	\$ 9,233,951
Rental income	\$ 187,800	\$ 195,961	\$ 1,150,367	\$ 420,984
Vacancies	(3,928)	(8,399)	(11,219)	(137,871)
Interest income	875	591	2,659	232
Other income	2,340	1,454	5,350	2,785
Total income	\$ 187,087	\$ 189,607	\$ 1,147,157	\$ 286,130
Operating expenses	\$ 143,224	\$ 85,798	\$ 503,155	\$ 134,613
Non operating repairs	-	6,708	3,803	-
Development expenses	-	-	-	28,151
Interest expense	18,477	59,356	314,234	198,211
Management fee	1,000	2,702	3,309	4,500
Depreciation and Amortization	202,022	166,993	747,896	403,258
Total expenses	\$ 364,723	\$ 321,557	\$ 1,572,397	\$ 768,733
Net income (loss)	\$ (177,636)	\$ (131,950)	\$ (425,240)	\$ (482,603)

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 12. WHF Future Property Value Revenue

WHF retains a significant residual interest in Levis Hill House, LP, The Plains Housing, LP, Shreveport Ridge, LP, Washburn Place, LP and Heronview VA, LLC at the release date of rental restrictions. WHF property interests can be sold or they can exercise the option to purchase remaining partner's interest.

Note 13. Pledged contributions

Windy Hill has received contribution pledges which are to be paid and funded over a period of years. These pledges of future contribution payments were discounted to reflect their current December 31, 2018 value as noted below:

Year pledge to be paid	Pledge amount	Discount	Net value 12/31/2018
2019	5,635	-	5,635
	<u>\$ 5,635</u>	<u>\$ -</u>	<u>\$ 5,635</u>

Pledged contributions were discounted using 5%. Management has reviewed pledges in detail and believes all amounts at their full pledged amount are fully collectible.

Note 14. Beneficial Interest in Assets Held by Others

Windy Hill has established agency endowment funds with Community Foundation for Loudoun and Northern Fauquier Counties (Community Foundation) which were valued at \$257,872 as of December 31, 2018. The funds are intended as perpetual endowments for charitable purposes and are dedicated to the payment of grants from time to time as calculated under the Foundations Distributions Policy. The funds are subject to the terms and provisions of the articles of incorporation and bylaws of the Foundation including the ability of the Board of Directors of the Foundation to modify any restriction or condition on the distribution of funds for any specified charitable purpose or purposes or to a specified charitable organization or organizations if in the sole judgment of the Foundation Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

A summary of beneficial interest assets held by Community Foundation for the benefit of Windy Hill at December 31, 2018 is as follows:

Description	Net assets
Stated fair value January 1, 2018	\$ 297,028
Earnings and fair value decreases 2018	(21,941)
Fees paid	(3,327)
Disbursements made to Windy Hill	(13,888)
	<u>\$ 257,872</u>

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 15. Endowment Fund

Windy Hill's endowment includes both donor-restricted funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The endowment funds are held in investment accounts and an account held at the Community Foundation, see Note 14. The Organization has established an Endowment Committee which is guided by Investment Policies established by the Board. The primary objective of the policies is to provide a regular cash flow and if possible, long term capital appreciation while prudently managing risk through the diversification of investments that meet the Organization's risk tolerance.

Other than annual distributions from the accounts held by the Community Foundation, the Organization has not distributed funds from the endowment. Beginning in 2019, the Organization will begin taking draws of 4% per year.

Changes in endowment net assets as of December 31, 2018 are as follows:

Description	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 58,829	\$ 1,157,498	\$ 1,216,327
Contributions	-	-	-
Investment earnings(loss)	(10,041)	(70,625)	(80,666)
Amount appropriated for expenditure	-	(13,888)	(13,888)
Endowment net assets, end of year	<u>\$ 48,788</u>	<u>\$ 1,072,985</u>	<u>\$ 1,121,773</u>

Support of net assets:

Investments	\$ 873,085
Beneficial Interest in Assets held by Community Foundaiton	257,872
	<u>\$ 1,130,957</u>

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 16. Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows:

Purpose	2017	2018		2018
		Additions	Uses	
Education fund	\$ 141,633	\$ 57,050	\$ (9,132)	\$ 189,551
Books	500	-	-	500
Fagus Foundation	5,000	-	(5,000)	-
After school tutoring	5,000	-	(5,000)	-
2018 Summer camp	10,000	-	(10,000)	-
2019 Summer camp	-	20,000	-	20,000
Wetlands Study	5,000	-	-	5,000
Piedmont project	348	-	-	348
Plains project	-	109,032	(11,796)	97,236
FHLB Grant for Washburn	-	500,000	-	500,000
Shreveport family services	-	6,817	(5,577)	1,240
Resident technology services	-	6,700	-	6,700
Bus fund	-	33,000	-	33,000
Endowment	1,157,498	(70,625)	(13,888)	1,072,985
	<u>\$ 1,324,979</u>	<u>\$ 661,974</u>	<u>\$ (29,132)</u>	<u>\$ 1,926,560</u>

Note 17. Operating Lease

Windy Hill entered into an office operating lease with Noble House Management, LLC commencing October 2016. The initial lease term was for 6 months with the option of three additional 6 month terms. The initial base rent is \$2,000 per month. Thereafter, the base rent will increase one and one half percent when each extension is initiated. For 2018, the total rent related to this lease was \$24,090. For 2019, Windy Hill is obligated to another \$6,000.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 18. Availability and Liquidity

The following represents Windy Hill's financial assets at December 31, 2018:

Description	2018
Financial assets at year end:	
Cash and cash equivalents	\$ 496,445
Contribution receivable	63,043
Affiliate note receivable	500,000
Investments	1,130,957
Total financial assets	<u>2,190,445</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	1,926,561
Board designated endowment	48,788
Restricted cash	148,130
	<u>2,123,479</u>
Financial assets available to meet general expenditures over the next twelve months	<u>66,966</u>

Note 19. Predevelopment Costs

The Development Company aids in the development and construction of new affordable housing. As part of their services, they often incur some expenses in the predevelopment stage that will later be reimbursed by the housing development. At December 31, 2018, the following amounts were outstanding to be reimbursed by the housing development:

Description	Amount
Washburn Place	<u>\$ 359,956</u>

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 20. Due from Subsidiaries

In addition to amounts invested in the Windy Hill subsidiaries (see Note 12), Windy Hill loaned money to the subsidiaries during development. Payments are made to Windy Hill based on available cash flow. The following amounts were outstanding balances at December 31, 2018:

Description	Amount
Due from Levis Hill House, LLC	\$ 791,267
Due from The Plains Housing, LP	621,428
Due from Washburn Place, LP	635,000
	<u>\$ 2,047,695</u>

Note 21. Restricted Donation

Restricted donations relate to amounts received in 2016 with a time restriction related to use over the next 5 years. At December 31, 2018, Windy Hill had restricted conditional donations of \$150,000.

Note 22. Subsequent Events

Windy Hill has evaluated subsequent events through March 25, 2019, the date these financial statements were available to be issued. Prior to December 31, 2018, Windy Hill Foundation entered into a contract to purchase property on Windy Hill Road in Middleburg, VA for \$240,000. The purchase was completed and settled on February 4, 2019. There were no other material subsequent events requiring adjustment to, or disclosure in, the financial statements for the year ended December 31, 2018.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2018

	Controlled Entities							Total
	Foundation	Development	WHF-I	WHF-II	WHF-III	WHF-V	Eliminations	
ASSETS								
Current assets								
Cash and cash equivalents	\$ 347,878	\$ 437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 348,315
Investments	873,085	-	-	-	-	-	-	873,085
Beneficial interest in assets held by others	257,872	-	-	-	-	-	-	257,872
Accounts receivable	57,408	-	-	-	-	-	-	57,408
Predevelopment costs	-	359,955	-	-	-	-	-	359,955
Prepaid expenses	18,153	-	-	-	326	-	-	18,479
Pledged contribution receivable	5,635	-	-	-	-	-	-	5,635
Total current assets	1,560,031	360,392	-	-	-	-	-	1,920,749
Noncurrent assets								
Cash and cash equivalents, restricted	148,130	-	-	-	-	-	-	148,130
Investment: Levis Hill House, LP	-	-	1,332,800	-	-	-	-	1,332,800
Investment: The Plains Housing, LP	-	-	-	300,000	-	-	-	300,000
Investment: Washburn Place, LP	-	-	-	-	-	864,445	-	864,445
Due from Windy Hill Foundation	-	-	-	-	151,144	-	(151,144)	-
Due from Windy Hill Dev.Co., LLC	-	-	-	-	-	-	-	-
Due from Levis Hill House, LP	-	51,042	-	-	-	-	-	51,042
Due from The Plains Housing, LP	-	-	-	-	-	-	-	-
Developer fees receivable	-	230,385	-	-	-	-	-	230,385
Intercompany note receivables	3,871,240	-	-	-	-	-	(1,874,587)	1,996,653
Capitalized costs, net of accum. amortization of \$6,030	26,829	-	-	-	-	-	-	26,829
Property and equipment, net of accum. depreciation of \$2,668,727	3,893,169	-	-	-	-	-	-	3,893,169
	7,939,368	281,427	1,332,800	300,000	151,144	864,445	(2,025,731)	8,843,453
Total assets	\$ 9,499,399	\$ 641,819	\$ 1,332,800	\$ 300,000	\$ 151,144	\$ 864,445	\$ (2,025,731)	\$ 10,764,202
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable/acrued expenses	\$ 86,368	\$ -	\$ -	\$ -	\$ 19,571	\$ -	\$ -	\$ 105,939
Security deposits	20,962	-	-	-	-	-	-	20,962
Prepaid rents	376	-	-	-	-	-	-	376
Restricted Donation	150,000	-	-	-	-	-	-	150,000
Due to WHF-III	151,144	-	-	-	-	-	(151,144)	-
Due to Windy Hill Foundation, Inc.	-	1,874,587	-	-	-	-	(1,874,587)	-
Notes payable, current portion	155,261	-	-	-	-	-	-	155,261
Total current liabilities	564,111	1,874,587	-	-	19,571	-	(2,025,731)	432,538
Mortgage and notes payable	3,564,043	-	-	-	-	-	-	3,564,043
Total noncurrent liabilities	3,564,043	-	-	-	-	-	-	3,564,043
Total liabilities	4,128,154	1,874,587	-	-	19,571	-	(2,025,731)	3,996,581
Net assets								
Without Donor Restrictions								
Undesignated	(57,614)	(1,643,766)	-	-	131,899	-	-	(1,569,481)
Prepays and predevelopment costs	18,153	359,956	-	-	-	-	-	378,109
Invested in capital assets net of related debt	1,938,704	-	-	-	-	-	-	1,938,704
Subsidiary notes receivable	1,496,653	51,042	-	-	-	-	-	1,547,695
Invested in subsidiaries	-	-	1,332,800	300,000	-	864,445	-	2,497,245
Designated for endowment	48,788	-	-	-	-	-	-	48,788
With Donor Restrictions	1,926,561	-	-	-	-	-	-	1,926,561
Total net assets	5,371,245	(1,232,768)	1,332,800	300,000	131,899	864,445	-	6,767,621
Total liabilities and net assets	\$ 9,499,399	\$ 641,819	\$ 1,332,800	\$ 300,000	\$ 151,470	\$ 864,445	\$ (2,025,731)	\$ 10,764,202

See auditor's report.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Controlled Entities								
	Foundation			Development	WHF-I	WHF-II	WHF-III	WHF-V	Total
	Unrestricted	With Donor Restrictions	Total						
SUPPORT AND REVENUE									
Public Support									
Contributions	\$ 291,237	\$ 404,082	\$ 695,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 695,319
Grants	-	612,087	612,087	-	-	-	-	-	612,087
Fashion show, net	90,906	-	90,906	-	-	-	-	-	90,906
Total public support	382,143	1,016,169	1,398,312	-	-	-	-	-	1,398,312
Revenue									
Rental income	309,350	-	309,350	-	-	-	-	-	309,350
Development fees	-	-	-	101,663	-	-	-	-	101,663
Investment income	(8,679)	(64,479)	(73,158)	-	-	-	80,172	-	7,014
Other income	2,938	-	2,938	-	-	-	-	-	2,938
	303,609	(64,479)	239,130	101,663	-	-	80,172	-	420,965
Net assets released:									
Satisfaction of restrictions	343,963	(343,963)	-	-	-	-	-	-	-
Total support/revenues	1,029,715	607,727	1,637,442	101,663	-	-	80,172	-	1,819,277
EXPENSES									
Program services	965,284	-	965,284	146,141	-	-	-	-	1,111,425
Supportive services:									-
Management and general	156,055	6,146	162,201	141	-	-	21,647	-	183,989
Fundraising	67,165	-	67,165	-	-	-	-	-	67,165
Total expenses	1,188,504	6,146	1,194,650	146,282	-	-	21,647	-	1,362,579
Change in net assets	(158,789)	601,581	442,792	(44,619)	-	-	58,525	-	456,698
Net assets, beginning	3,582,918	1,324,980	4,907,898	(1,188,149)	1,332,800	300,000	73,374	885,000	6,310,923
Transfer in net assets	20,555	-	20,555	-	-	-	-	(20,555)	-
Net assets, ending	\$ 3,444,684	\$ 1,926,561	\$ 5,371,245	\$ (1,232,768)	\$ 1,332,800	\$ 300,000	\$ 131,899	\$ 864,445	\$ 6,767,621

See auditor's report.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Controlled Entities								
	Foundation				Development			WHF-III	
	Support Services				Support				
	Management				Management			Management	
	Programs	& General	Fundraising	Total	Programs	& General	Total	& General	Total
Depreciation/amortization	\$ 199,622	\$ -	\$ -	\$ 199,622	\$ -	\$ -	\$ -	\$ -	\$ 199,622
Payroll expenses	36,877	55,724	\$ 33,016	125,617	-	-	-	-	125,617
Family development	304,397	-	-	304,397	-	-	-	-	304,397
Rent Subsidy	80,660	-	-	80,660	-	-	-	-	80,660
Fundraising	-	-	23,098	23,098	-	-	-	-	23,098
Insurance and taxes	16,417	9,511	-	25,928	-	-	-	21,647	47,575
Interest	169,254	-	-	169,254	-	-	-	-	169,254
Maintenance	44,880	-	-	44,880	-	-	-	-	44,880
Management fees	65,242	-	-	65,242	-	-	-	-	65,242
Miscellaneous expense	3,956	5,722	-	9,678	-	141	141	-	9,819
Office expenses	10,363	15,662	11,051	37,076	-	-	-	-	37,076
Professional services	-	75,582	-	75,582	146,141	-	146,141	-	221,723
Utilities	33,616	-	-	33,616	-	-	-	-	33,616
Total expenses	\$ 965,284	\$ 162,201	\$ 67,165	\$ 1,194,650	\$ 146,141	\$ 141	\$ 146,282	\$ 21,647	\$ 1,362,579

See auditor's report.

WINDY HILL FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Controlled Entities						Total
	Foundation	Development	WHF-I	WHF-II	WHF-III	WHF-V	
Cash Flows From Operating Activities							
Change in net assets	\$ 442,792	\$ (44,619)	\$ -	\$ -	\$ 58,525	\$ -	\$ 456,698
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	199,622	-	-	-	-	-	199,622
Pledged contribution receivable	9,503	-	-	-	-	-	9,503
Unrealized loss on investments	70,018	-	-	-	-	-	70,018
Investment loss restricted for permanent reinvestment	64,479	-	-	-	-	-	64,479
(Increase) decrease in assets:							
Accounts receivable	(15,634)	10,838	-	-	-	-	(4,796)
Prepaid expenses	(4,566)	-	-	-	(326)	-	(4,892)
Due from Levis Hill House, LP	-	-	-	-	-	-	-
Due from The Plains Housing, LP	-	19,666	-	-	-	-	19,666
Developer fee receivable	-	(53,807)	-	-	-	-	(53,807)
Predevelopment costs	-	98,958	-	-	-	-	98,958
Increase (decrease) in liabilities:							
Accounts payable	56,824	(50,990)	-	-	(10,027)	-	(4,193)
Security deposits	2,819	-	-	-	-	-	2,819
Prepaid rents	(872)	-	-	-	-	-	(872)
Deferred Income	(50,000)	-	-	-	-	-	(50,000)
Due to developers	-	-	-	-	-	-	-
Due to WHF-III	48,172	-	-	-	(48,172)	-	-
Due to Windy Hill Development Co., LLC	66,072	(66,072)	-	-	-	-	-
Net cash provided by (used in) operating activities	889,229	(86,026)	-	-	-	-	803,203
Cash Flows From Investing Activities							
Purchase of investments	(48,412)	-	-	-	-	-	(48,412)
Purchase of property and equipment	(216,982)	-	-	-	-	-	(216,982)
Net cash (used in) investing activities	(265,394)	-	-	-	-	-	(265,394)
Cash Flows From Financing Activities							
Investment loss restricted for permanent reinvestment	(64,479)	-	-	-	-	-	(64,479)
Intercompany notes proceeds (advances)	(556,429)	-	-	-	-	-	(556,429)
Principal payments on notes payable	(1,902,887)	-	-	-	-	-	(1,902,887)
Proceeds from notes payable	1,790,922	-	-	-	-	-	1,790,922
Capital contributions received	20,555	-	-	-	-	-	20,555
Net cash (used in) financing activities	(712,318)	-	-	-	-	-	(712,318)
Net (decrease)/increase in cash and equivalents	(88,483)	(86,026)	-	-	-	-	(174,509)
Cash and Cash Equivalents							
Beginning of year	584,491	86,463	-	-	-	-	670,954
End of year	\$ 496,008	\$ 437	\$ -	\$ -	\$ -	\$ -	\$ 496,445
Supplemental Disclosures of Cash Flow Information							
Cash paid for interest	\$ 169,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,254

See auditor's report.