

**FLOWER CITY HABITAT FOR
HUMANITY, INC.**

**Financial Statements
as of June 30, 2019
Together with
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

November 26, 2019

To the Board of Directors of
Flower City Habitat for Humanity, Inc.:

We have audited the accompanying financial statements of Flower City Habitat for Humanity, Inc. (a New York non-profit corporation), which comprise the balance sheet as of June 30, 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

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

Report on Summarized Comparative Information

We have previously audited Flower City Habitat for Humanity, Inc.'s 2018 financial statements, and our report dated February 14, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RDG+Partners CPAs PLLC

Pittsford, New York

FLOWER CITY HABITAT FOR HUMANITY, INC.

BALANCE SHEET

JUNE 30, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 154,472	\$ 352,165
Current portion of mortgages receivable	168,002	191,394
Grants receivable	486,898	31,000
Other current assets	<u>12,338</u>	<u>9,610</u>
Total current assets	<u>821,710</u>	<u>584,169</u>
PROPERTY AND EQUIPMENT, net	<u>648,326</u>	<u>663,310</u>
OTHER ASSETS:		
Mortgages receivable, net of current portion	2,204,971	2,219,197
Construction in progress, net	803,674	593,422
Homes available for sale, net	382,894	124,119
Restricted cash and investments	253,292	253,962
Assets that are limited to use	<u>5,240</u>	<u>5,240</u>
Total other assets	<u>3,650,071</u>	<u>3,195,940</u>
	<u>\$ 5,120,107</u>	<u>\$ 4,443,419</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of notes payable - affiliate	\$ 54,184	\$ 35,615
Line-of-credit	300,000	-
Accounts payable	300,665	141,435
Accrued expenses and other current liabilities	<u>55,401</u>	<u>34,731</u>
Total current liabilities	710,250	211,781
NOTES PAYABLE - AFFILIATE, net of current portion	<u>303,140</u>	<u>155,532</u>
Total liabilities	<u>1,013,390</u>	<u>367,313</u>
NET ASSETS:		
Without donor restrictions	3,642,422	3,722,144
With donor restrictions	<u>464,295</u>	<u>353,962</u>
Total net assets	<u>4,106,717</u>	<u>4,076,106</u>
	<u>\$ 5,120,107</u>	<u>\$ 4,443,419</u>

The accompanying notes are an integral part of these financial statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT:				
House sponsorships	\$ 228,109	\$ 293,803	\$ 521,912	\$ 622,283
Fundraising and donations	742,958	70,000	812,958	894,147
Homebuilding grants	708,848	-	708,848	281,003
Other support	22,564	-	22,564	21,160
Net assets released from restriction	<u>264,253</u>	<u>(264,253)</u>	<u>-</u>	<u>-</u>
Total support	<u>1,966,732</u>	<u>99,550</u>	<u>2,066,282</u>	<u>1,818,593</u>
REVENUES:				
Sale of homes	548,443	-	548,443	749,000
Mortgage receivable discount amortization	184,515	-	184,515	191,597
ReStore income	838,388	-	838,388	810,623
Unrealized gain on investments	-	10,783	10,783	19,830
Miscellaneous income	<u>31,515</u>	<u>-</u>	<u>31,515</u>	<u>144,957</u>
Total revenues	<u>1,602,861</u>	<u>10,783</u>	<u>1,613,644</u>	<u>1,916,007</u>
Total increases	<u>3,569,593</u>	<u>110,333</u>	<u>3,679,926</u>	<u>3,734,600</u>
EXPENSES:				
Cost of homes sold	825,636	-	825,636	909,394
Discount on mortgages receivable	193,208	-	193,208	358,099
Change in discount on:				
Homes available for sale	338,112	-	338,112	(256,803)
Construction in progress	180,010	-	180,010	209,654
Program services:				
ReStore	838,563	-	838,563	783,751
Construction overhead and other	552,958	-	552,958	551,497
General and administrative	434,596	-	434,596	446,772
Fundraising	<u>286,232</u>	<u>-</u>	<u>286,232</u>	<u>286,771</u>
Total decreases	<u>3,649,315</u>	<u>-</u>	<u>3,649,315</u>	<u>3,289,135</u>
CHANGE IN NET ASSETS	(79,722)	110,333	30,611	445,465
NET ASSETS, beginning of year	<u>3,722,144</u>	<u>353,962</u>	<u>4,076,106</u>	<u>3,630,641</u>
NET ASSETS, end of year	<u>\$ 3,642,422</u>	<u>\$ 464,295</u>	<u>\$ 4,106,717</u>	<u>\$ 4,076,106</u>

The accompanying notes are an integral part of these financial statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Totals for 2018)

	2019							2018
	Program			General and Administrative	Fundraising	Total		
	ReStore	Construction Overhead and Other	Total Program					
Payroll and payroll taxes	\$ 359,969	\$ 222,727	\$ 582,696	\$ 251,640	\$ 129,434	\$ 963,770	\$ 943,497	
Employee benefits	35,891	61,037	96,928	19,305	18,049	134,282	111,339	
Small tools and supplies	106,820	16,358	123,178	-	-	123,178	105,188	
Rent expense	105,750	-	105,750	4,800	-	110,550	108,004	
Insurance	12,728	67,007	79,735	19,934	-	99,669	89,778	
Fundraising events	-	-	-	-	96,518	96,518	105,072	
Depreciation and amortization	42,158	25,452	67,610	8,413	2,480	78,503	73,779	
Equipment maintenance	19,631	99	19,730	40,024	17,674	77,428	72,973	
Utilities	42,636	-	42,636	-	-	42,636	40,847	
Promotion and public relations	19,174	4,613	23,787	951	14,039	38,777	26,906	
Habitat International - tithe and fees	-	25,000	25,000	-	-	25,000	25,000	
Interest	6,890	5,491	12,381	11,547	-	23,928	16,701	
Temporary help and consulting	-	20,900	20,900	1,900	-	22,800	3,095	
Bank charges	14,813	-	14,813	6,490	394	21,697	21,249	
Auto	19,444	2,196	21,640	-	-	21,640	32,076	
Seminar and training	1,193	3,722	4,915	9,945	4,559	19,419	4,855	
Office supplies	3,806	762	4,568	12,828	47	17,443	15,189	
Legal and accounting	-	3,343	3,343	14,002	-	17,345	73,458	
Building repair and maintenance	16,482	-	16,482	-	-	16,482	13,693	
Telephone	8,046	1,446	9,492	4,127	1,869	15,488	14,020	
Mortgage outsourcing fees	-	12,775	12,775	-	-	12,775	9,338	
Travel and entertainment	294	3,050	3,344	5,500	1,001	9,845	7,809	
Bad debt expense	-	-	-	-	-	-	31,519	
Miscellaneous	22,838	76,980	99,818	23,190	168	123,176	123,406	
	<u>\$ 838,563</u>	<u>\$ 552,958</u>	<u>\$ 1,391,521</u>	<u>\$ 434,596</u>	<u>\$ 286,232</u>	<u>\$ 2,112,349</u>	<u>\$ 2,068,791</u>	

The accompanying notes are an integral part of these financial statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019 (With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Support and contributions received	\$ 1,610,384	\$ 1,942,593
Mortgage payments received	260,071	354,438
Proceeds from sale of homes	297,315	193,082
Cash received from ReStore sales	838,388	810,623
Interest and other income received	31,515	154,957
Cash paid to suppliers	(1,624,427)	(990,519)
Cash paid for salaries	(963,643)	(939,405)
Cash paid for operating expenses	(452,635)	(496,729)
Cash paid for fundraising	(156,850)	(107,896)
Cash paid for ReStore expenses	(432,503)	(388,692)
Cash received for homeowner escrow deficiencies	-	77,001
Interest paid	(19,419)	(16,701)
Net cash flow from operating activities	<u>(611,804)</u>	<u>592,752</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net withdrawals from restricted cash and investments	11,453	11,385
Purchases of property and equipment	(63,519)	(7,539)
Net cash flow from investing activities	<u>(52,066)</u>	<u>3,846</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
(Repayments) borrowings on line-of-credit, net	300,000	(236,614)
Repayment of notes payable - affiliate	(43,823)	(69,075)
Borrowings of notes payable - affiliate	210,000	-
Net cash flow from financing activities	<u>466,177</u>	<u>(305,689)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(197,693)	290,909
CASH AND CASH EQUIVALENTS - beginning of year	<u>352,165</u>	<u>61,256</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 154,472</u>	<u>\$ 352,165</u>

The accompanying notes are an integral part of these financial statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

(With Comparative Totals for 2018)

(Continued)

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 30,611	\$ 445,465
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	78,503	73,779
Discount on mortgages receivable	193,208	358,099
Amortization of discount on mortgages receivable	(184,515)	(191,597)
Change in discount on homes available for sale	338,112	(256,803)
Change in discount on construction in progress	180,010	209,654
Unrealized gain on investments	(10,783)	(19,830)
Bad debt expense	-	31,519
Change in:		
Mortgages receivable	28,925	(183,006)
Accounts receivable	-	198,118
Grants receivable	(455,898)	124,000
Other current assets	(2,728)	(1,876)
Construction in progress	(390,262)	(609,635)
Homes available for sale	(596,887)	374,619
Accounts payable	159,230	38,317
Accrued expenses and other current liabilities	<u>20,670</u>	<u>1,929</u>
Net cash flow from operating activities	<u>\$ (611,804)</u>	<u>\$ 592,752</u>

The accompanying notes are an integral part of these financial statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. ORGANIZATION

Flower City Habitat for Humanity, Inc. (the Organization) was established and incorporated in November 1984. The Organization is a non-profit corporation whose purpose is to develop a better habitat in which to work and live for economically disadvantaged people. This is accomplished by working with these people to build or rehabilitate homes and subsequently providing non-interest-bearing mortgages on these residences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting -

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Comparative Information -

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset or functional class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Accounting Pronouncement Adopted -

On August 18, 2016, FASB issued Accounting Standards Update (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 classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in the accompanying financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications -

At June 30, 2019 and 2018, the Organization reported net assets as follows:

- Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents -

The Organization's cash and cash equivalents consist of bank deposit and money market accounts. These accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Grants Receivable -

Grants receivable consists of Government and New York State grants awarded to the Organization to assist in subsidizing the cost of homebuilding. Grant revenue is earned by the Organization upon the completion of applicable grant related projects. As of June 30, 2019 and 2018, there was \$486,898 and \$31,000, respectively, of grants that had not been received by the Organization as of year-end. Balances that are still outstanding after management has used reasonable collection efforts are written off. The Organization considers the grants fully collectible, therefore no allowance was considered necessary at either June 30, 2019 or 2018.

Construction in Progress -

Construction in progress consists of homes owned by the Organization that are currently under construction or renovation. These homes are valued at the lower of cost or anticipated sales price. The discount on construction in progress was \$389,664 and \$209,654 at June 30, 2019 and 2018, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Homes Available for Sale -

Homes available for sale consist of homes owned by the Organization that are valued at the lower of cost or anticipated sales price. As of the statement of financial position date, these homes are either awaiting closing or the current tenants are in a probationary period prior to being eligible for ownership. The discount on homes available for sale totaled \$338,112 at June 30, 2019. No discount on homes available for sale was required at June 30, 2018.

Mortgages Receivable -

The Organization discounts its mortgages receivable. In accordance with instructions from Habitat for Humanity International, Inc., the Organization does not charge interest on the mortgages on houses sold to homeowners. By discounting the mortgages receivable, the Organization records the mortgages at the present value of the note payments to be received in the future. Imputed rates of interest that are used in computing the discount vary between 7.39% and 9.00% depending on the origination date of the mortgage and are provided to the Organization by Habitat for Humanity International, Inc. on an annual basis. The difference between the face amount of the mortgage and its present value is accounted for as a discount and charged to expense in the initial year of the mortgage. The discount is then amortized over the life of the mortgage using the interest method and is reported as mortgage discount amortization revenue in the statement of activities and change in net assets.

Property and Equipment -

It is the Organization's policy to capitalize property and equipment over \$1,000. Purchased property and equipment is stated at cost and depreciated using the straight-line method. The assets are depreciated over their estimated useful lives, ranging from three to thirty-nine years. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Restricted Cash and Investments -

The Organization's title and building reserve funds represent cash and investments restricted for certain purposes. The cash and investments consist of money market, equities and mutual funds.

The Organization's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

All of the Organization's investments are measured at fair value on a recurring basis utilizing level one inputs, as defined below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue -

Contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of non-cash assets are recorded at their fair market 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.

Income Taxes -

The Organization is organized as a New York nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under IRC Section 509(a)(2). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement -

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1 - Valuations based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.

All of the Organization's investments are valued utilizing level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

The Organization has no assets or liabilities that are valued utilizing level 2 inputs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization has no assets or liabilities that are valued utilizing level 3 inputs.

Events Occurring After Reporting Date -

The Organization has evaluated events and transactions that occurred between June 30, 2019 and November 26, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. See Note 13 for description of a subsequent event.

Functional Allocation of Expenses -

The costs of program, fundraising and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates of time and effort, square footage used, or other reasonable basis for allocation.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications -

Certain reclassifications were made to the prior-year summarized comparative information to conform with the current year presentation.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30, 2019:

Financial assets:	
Cash and cash equivalents	\$ 154,472
Grants receivable	486,898
Investments	253,292
Current portion of mortgage receivables, gross	<u>336,425</u>
	<u>1,231,087</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(464,295)
Less: net assets with purpose restrictions to be met in less than one year	<u>111,003</u>
	<u>(353,292)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 877,795</u>

In addition to the financial assets above, the Organization has a \$300,000 line-of-credit available for general working capital needs as well as a \$1,000,000 line-of-credit for the purpose of financing construction of residential homes.

4. MORTGAGES RECEIVABLE

Mortgages receivable secured by real estate, due on various dates with no interest, consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Mortgages receivable	\$ 4,976,245	\$ 5,110,366
Discounts on non-interest-bearing notes	<u>(2,603,272)</u>	<u>(2,699,775)</u>
	2,372,973	2,410,591
Less: current portion, net of discount	<u>(168,002)</u>	<u>(191,394)</u>
	<u>\$ 2,204,971</u>	<u>\$ 2,219,197</u>

The following are future maturities of mortgages receivable, net of discount, for the years ending June 30:

	<u>Mortgage</u>	<u>Discount</u>	<u>Net</u>
2020	\$ 336,425	\$ (168,423)	\$ 168,002
2021	326,235	(172,717)	153,518
2022	318,116	(167,946)	150,170
2023	305,868	(162,574)	143,294
2024	298,176	(160,769)	137,407
Thereafter	<u>3,391,425</u>	<u>(1,770,843)</u>	<u>1,620,582</u>
	<u>\$ 4,976,245</u>	<u>\$ (2,603,272)</u>	<u>\$ 2,372,973</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 40,000	\$ 40,000
Buildings	774,688	773,080
Leasehold improvements	93,695	93,695
Computers and office equipment	170,933	168,517
Building equipment	70,563	70,563
Vehicles	<u>235,454</u>	<u>175,959</u>
	1,385,333	1,321,814
Less: Accumulated depreciation	<u>(737,007)</u>	<u>(658,504)</u>
	<u>\$ 648,326</u>	<u>\$ 663,310</u>

6. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments consisted of the following major types as of June 30:

	<u>2019</u>	<u>2018</u>
Cash	\$ 15,583	\$ 19,192
Equities	227,609	224,630
Mutual funds	<u>10,100</u>	<u>10,140</u>
	<u>\$ 253,292</u>	<u>\$ 253,962</u>

7. NOTES PAYABLE - AFFILIATE

The following notes are payable to Habitat for Humanity International, Inc. as of June 30:

	<u>2019</u>	<u>2018</u>
Note payable in the original principal amount of \$210,000 requiring monthly payments of \$2,235 including interest at 5.00%. Final payment is due December 2028.	\$ 201,792	\$ -
Note payable in the original principal amount of \$128,300 requiring monthly payments of \$1,747 including interest at 3.80%. Final payment is due June 2020.	20,472	40,184
Note payable in the original principal amount of \$180,600 requiring monthly payments of \$1,899 including interest at 4.75%. Final payment is due June 2026.	<u>135,060</u>	<u>150,963</u>
	357,324	191,147
Less: current portion	<u>(54,184)</u>	<u>(35,615)</u>
	<u>\$ 303,140</u>	<u>\$ 155,532</u>

The notes payable are collateralized by security interests in specific mortgage receivables. The Organization is required to meet financial covenants of maintaining minimum net assets of \$250,000 and raising at least 50% of its annual support from local sources. The Organization was in compliance with these covenants as of and for the years ended June 30, 2019 and 2018, respectively.

7. NOTES PAYABLE - AFFILIATE (Continued)

Future required payments due under the terms of these notes are as follows for the years ending June 30:

	<u>Amount</u>
2020	\$ 54,184
2021	35,386
2022	37,143
2023	38,988
2024	40,925
Thereafter.....	<u>150,698</u>
	<u>\$ 357,324</u>

8. LINE-OF-CREDIT

The Organization had a line-of-credit agreement with a bank. Under the terms of the agreement, the Organization could borrow up to \$300,000. Amounts borrowed bore interest at the prime rate (5.50% as of June 30, 2019) and were due on demand. The line-of-credit was secured by substantially all present and future assets of the Organization. There was \$300,000 outstanding at June 30, 2019. No balance was outstanding at June 30, 2018. Subsequent to year-end, the Organization refinanced the line-of-credit, see additional information in Note 13.

9. COMMITMENTS

In January 2017, the Organization entered into a lease agreement for a second ReStore location that requires monthly payments of \$8,813 through December 2021.

During fiscal 2016, the Organization entered into a new lease agreement for a copier. Under the terms of the lease, the Organization was required to make monthly payments of \$145 through October 2018. The Organization is also charged fees if monthly usage exceeds a predetermined amount under the agreement. This lease is continuing on a month by month basis.

In November 2018, the Organization entered into a lease agreement for additional customer and volunteer parking space that requires monthly payments of \$600 through October 2020.

9. COMMITMENTS (Continued)

Future required payments due under the terms of the above lease obligations are as follows for the years ending June 30:

	<u>Amount</u>
2020	\$ 112,950
2021	108,150
2022	<u>52,875</u>
	<u>\$ 273,975</u>

10. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Tithe fund	\$ 248,948	\$ 249,393
Building reserves fund	104,344	104,569
Specific home construction	<u>111,003</u>	<u>-</u>
	<u>\$ 464,295</u>	<u>\$ 353,962</u>

Net assets with donor restrictions that were released from restrictions were as follows during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Tithe fund	\$ 11,453	\$ 11,385
Specific home construction	182,800	-
Equipment	<u>70,000</u>	<u>-</u>
	<u>\$ 264,253</u>	<u>\$ 11,385</u>

The tithe fund amounts are restricted by the donor for use in supplementing the Organization's tithing to Habitat for Humanity International. Annually, amounts are released to unrestricted funds for this purpose based on the discretion of the Organization's Board of Directors.

The building reserves fund is restricted by the donor for use as an internal line-of-credit that is used by the Organization to fund the construction of homes while awaiting infrastructure, federal home loan payments, and other post-closing government grant funding. The fund is replenished as soon as these payments are received, with the balance in the fund equaling a minimum of \$100,000 plus interest earned thereon. At June 30, 2019 and 2018, the donor restricted amount totaled \$104,344 and \$104,569, respectively, which included principal of \$100,000 and cumulative earnings of \$4,344 and \$4,569, respectively. At both June 30, 2019 and 2018, the Organization had loans of \$100,000 from this fund.

11. DONATED SERVICES

The Organization values all donations of materials and professional services at fair market value when received. Revenue and expenses related to donated goods and services are recognized at the time such goods are received or services are rendered. Total contributed goods and services were approximately \$29,000 and \$24,000 for the years ended June 30, 2019 and 2018, respectively.

The Organization also receives a significant amount of donated services from unpaid volunteers who assist in home rehabilitation/construction, fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles have not been met.

12. EMPLOYEE BENEFIT PLAN

The Organization sponsors a defined contribution plan. All employees are eligible for participation in the plan upon hire, and may voluntarily elect to contribute a percentage of their compensation to the plan, subject to the terms of the plan and certain established federal limitations. The Organization makes no matching or discretionary contributions to the plan at this time.

13. SUBSEQUENT EVENT

Subsequent to year-end, the Organization refinanced their existing line-of-credit agreement with a different bank. The Organization entered into two new line-of-credit agreements allowing the Organization to borrow a total of \$1,300,000. The Organization may borrow up to \$1,000,000 for the purpose of financing construction of residential homes for low-income individuals. The second agreement allows the Organization to borrow up to \$300,000 for the purpose of general working capital. Amounts borrowed under both of these agreements bear interest at the prime rate (5.50% as of June 30, 2019) and are due on demand. The line-of-credit agreements are secured by substantially all of the assets of the Organization.