

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

**Financial Statements
as of June 30, 2017
Together with
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

February 5, 2018

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 statement of financial position as of June 30, 2017, 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2017 and the change in its net assets and 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 2016 financial statements, and our report dated November 3, 2016 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RDG + Partners CPAs, PLLC

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 61,256	\$ 353,260
Current portion of mortgages receivable	169,605	170,762
Accounts receivable, net	229,637	97,530
Grants receivable, net	155,000	70,000
Other current assets	19,849	6,897
Total current assets	<u>635,347</u>	<u>698,449</u>
PROPERTY AND EQUIPMENT, net	<u>729,550</u>	<u>631,606</u>
OTHER ASSETS:		
Mortgages receivable, net of current portion	2,224,482	2,359,160
Construction in progress	193,441	497,828
Homes available for sale, net	241,935	72,599
Restricted cash and investments	245,517	247,846
Assets that are limited to use, net of current portion	5,240	17,354
Total other assets	<u>2,910,615</u>	<u>3,194,787</u>
	<u>\$ 4,275,512</u>	<u>\$ 4,524,842</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of notes payable - affiliate	\$ 81,144	\$ 77,484
Line-of-credit	236,614	601
Accounts payable	103,118	124,102
Accrued expenses and other current liabilities	32,802	32,419
Total current liabilities	<u>453,678</u>	<u>234,606</u>
NOTES PAYABLE - AFFILIATE, net of current portion	<u>191,193</u>	<u>272,290</u>
Total liabilities	<u>644,871</u>	<u>506,896</u>
NET ASSETS:		
Unrestricted net assets	3,285,124	3,681,533
Temporarily restricted net assets	345,517	336,413
Total net assets	<u>3,630,641</u>	<u>4,017,946</u>
	<u>\$ 4,275,512</u>	<u>\$ 4,524,842</u>

The accompanying notes are an integral part of these statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

(With Comparative Totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
SUPPORT:				
House sponsorships	\$ 257,978	\$ -	\$ 257,978	\$ 515,762
Fundraising and donations	492,663	-	492,663	568,885
Homebuilding grants	233,500	-	233,500	115,000
Other support	26,791	-	26,791	23,732
Net assets released from restriction	18,567	(18,567)	-	-
Total support	<u>1,029,499</u>	<u>(18,567)</u>	<u>1,010,932</u>	<u>1,223,379</u>
REVENUES:				
Sale of homes	601,500	-	601,500	730,028
Mortgage receivable discount amortization	212,151	-	212,151	216,621
ReStore income	696,441	-	696,441	526,707
Unrealized gain on investments	-	27,671	27,671	2,093
Miscellaneous income	23,917	-	23,917	29,736
Total revenues	<u>1,534,009</u>	<u>27,671</u>	<u>1,561,680</u>	<u>1,505,185</u>
Total increases	<u>2,563,508</u>	<u>9,104</u>	<u>2,572,612</u>	<u>2,728,564</u>
EXPENSES:				
Cost of homes sold	812,315	-	812,315	1,159,021
Discount on mortgages receivable	203,170	-	203,170	373,804
Change in discount on homes available for sale	137,440	-	137,440	(71,631)
Program services:				
ReStore	704,634	-	704,634	418,654
Construction overhead and other	559,082	-	559,082	424,610
General and administrative	294,514	-	294,514	492,170
Fundraising	248,762	-	248,762	293,432
Total decreases	<u>2,959,917</u>	<u>-</u>	<u>2,959,917</u>	<u>3,090,060</u>
CHANGE IN NET ASSETS	(396,409)	9,104	(387,305)	(361,496)
NET ASSETS, beginning of year	<u>3,681,533</u>	<u>336,413</u>	<u>4,017,946</u>	<u>4,379,442</u>
NET ASSETS, end of year	<u>\$ 3,285,124</u>	<u>\$ 345,517</u>	<u>\$ 3,630,641</u>	<u>\$ 4,017,946</u>

The accompanying notes are an integral part of these statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

(With Comparative Totals for 2016)

	Program			Total			
	ReStore	Construction Overhead and Other	Total	General and Administrative	Fundraising	2017	2016
Salaries	\$ 309,859	\$ 190,311	\$ 500,170	\$ 206,748	\$ 102,234	\$ 809,152	\$ 611,923
Employee benefits	33,787	27,435	61,222	25,307	12,514	99,043	65,323
Insurance	10,991	68,714	79,705	17,757	-	97,462	102,855
Payroll taxes	40,840	14,202	55,042	22,752	11,251	89,045	60,278
Fundraising events	-	-	-	-	86,402	86,402	105,324
Depreciation and amortization	7,401	37,002	44,403	14,801	14,801	74,005	52,241
Legal and accounting	-	62,128	62,128	8,445	-	70,573	51,347
Small tools and supplies	64,782	4,500	69,282	-	-	69,282	37,958
ReStore rent expense	63,002	-	63,002	-	-	63,002	8,415
Equipment maintenance	15,724	17,101	32,825	12,720	5,012	50,557	43,751
Temporary help and consulting	-	23,655	23,655	5,320	3,325	32,300	30,345
Utilities	32,293	-	32,293	-	-	32,293	17,932
Auto	21,551	7,100	28,651	-	-	28,651	17,904
Building repair and maintenance	27,579	-	27,579	-	-	27,579	8,048
Habitat International - tithe and support fees	-	25,000	25,000	-	-	25,000	25,000
Mortgage outsourcing fees	-	11,713	11,713	11,714	-	23,427	20,263
Interest	11,446	885	12,331	10,298	-	22,629	17,058
Bank charges	13,437	-	13,437	4,209	3,789	21,435	17,360
Promotion and public relations	12,412	2,064	14,476	6,098	699	21,273	13,854
Bad debt expense (recovery)	-	-	-	(90,867)	-	(90,867)	198,984
Miscellaneous	39,530	67,272	106,802	39,212	8,735	154,749	122,703
	<u>\$ 704,634</u>	<u>\$ 559,082</u>	<u>\$ 1,263,716</u>	<u>\$ 294,514</u>	<u>\$ 248,762</u>	<u>\$ 1,806,992</u>	<u>\$ 1,628,866</u>

The accompanying notes are an integral part of these statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Support and contributions received	\$ 1,030,932	\$ 1,257,327
Mortgage payments received	366,669	366,957
Proceeds from sale of homes	219,727	95,059
Cash received from ReStore sales	696,441	526,707
Interest and other income received	13,917	29,736
Cash paid to suppliers	(770,668)	(828,076)
Cash paid for salaries and benefits	(894,348)	(684,641)
Cash paid for operating expenses	(492,848)	(398,592)
Cash paid for fundraising	(82,224)	(107,288)
Cash paid for ReStore expenses	(307,450)	(190,186)
Cash received (paid) for homeowner escrow deficiencies	(66,150)	50,489
Interest paid	(22,629)	(17,058)
Net cash flow from operating activities	<u>(308,631)</u>	<u>100,434</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net (deposits) withdrawals (to) from restricted cash	30,000	(5,000)
Purchases of property and equipment	(171,949)	(18,806)
Net cash flow from investing activities	<u>(141,949)</u>	<u>(23,806)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
(Repayments) borrowings on line-of-credit, net	236,013	(203,327)
Repayment of notes payable - affiliate	(77,437)	(60,190)
Borrowings of notes payable - affiliate	-	180,600
Net cash flow from financing activities	<u>158,576</u>	<u>(82,917)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(292,004)	(6,289)
CASH AND CASH EQUIVALENTS - beginning of year	<u>353,260</u>	<u>359,549</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 61,256</u>	<u>\$ 353,260</u>

(Continued)

The accompanying notes are an integral part of these statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

(With Comparative Totals for 2016)

(Continued)

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (387,305)	\$ (361,496)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	74,005	52,241
Discount on mortgages receivable	203,170	373,804
Amortization of discount on mortgages receivable	(212,151)	(216,621)
Change in discount on homes available for sale	137,440	(71,631)
Unrealized (gain) loss on investments	(27,671)	(2,093)
Bad debt (recovery) expense	(90,867)	198,984
Change in:		
Mortgages receivable	144,816	(70,905)
Accounts receivable	(146,240)	(102,458)
Grants receivable	20,000	155,977
Other current assets	(838)	(2,552)
Construction in progress	304,387	(25,679)
Homes available for sale	(306,776)	170,454
Accounts payable	(20,984)	12,831
Accrued expenses and other current liabilities	<u>383</u>	<u>(10,422)</u>
Net cash flow from operating activities	<u>\$ (308,631)</u>	<u>\$ 100,434</u>

The accompanying notes are an integral part of these statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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).

Financial Reporting -

The Organization categorizes net assets and activities as unrestricted, temporarily restricted, or permanently restricted. At June 30, 2017 and 2016, the Organization reported net assets as follows:

- Unrestricted - Unrestricted net assets include operating resources available for the support of operating activities.
- Temporarily Restricted - Temporarily restricted net assets include resources donated to the Organization subject to time or purpose restrictions as defined by the donor.
- Permanently Restricted - Permanently restricted net assets include resources subject to donor-imposed restrictions that may be maintained permanently by the Organization. There were no permanently restricted net assets at June 30, 2017 or 2016.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable -

Accounts receivable consists of amounts to be received from the Organization's mortgage servicer for deficiencies in homeowner's escrow accounts that are paid by the Organization initially, and reimbursed through homeowner escrow payments. During 2017, the Organization began selling homes outright with no mortgage, and accounts receivable also includes amounts outstanding relative to these sales. The Organization recorded an allowance for doubtful accounts of \$19,200 at both June 30, 2017 and 2016 based on historical collections and management's review of specific account balances.

Grants Receivable -

Grants receivable consists of Government and New York State grants awarded to the Organization to assist in subsidizing the cost of homebuilding. The grant revenue is earned by the Organization upon the sale of a home. As of June 30, 2017 and 2016, there was \$155,000 and \$175,000, respectively, of grants that had not been received by the Organization as of year-end. The Company recorded an allowance for doubtful accounts of \$105,000 at June 30, 2016, based on management's review of specific grants. No allowance was deemed necessary at June 30, 2017.

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.

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 was \$256,803 and \$119,363 at June 30, 2017 and 2016, respectively.

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 6% and 10% 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions are recorded as permanently restricted. Investment earnings available for distribution are recorded in temporarily restricted net assets until appropriated for use. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions. The Organization has not received any endowment contributions.

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.

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, 2017 and February 5, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Income Taxes -

The Organization has received a letter of determination from the Internal Revenue Service advising it that it qualifies as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

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)

Comparative Information -

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications -

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

3. MORTGAGES RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Mortgages receivable	\$ 5,098,266	\$ 5,374,997
Discounts on non-interest-bearing notes	<u>(2,704,179)</u>	<u>(2,845,075)</u>
	2,394,087	2,529,922
Less: Current portion	<u>(169,605)</u>	<u>(170,762)</u>
	<u>\$ 2,224,482</u>	<u>\$ 2,359,160</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>
2018	\$ 353,270	\$ (183,665)	\$ 169,605
2019	345,329	(179,380)	165,949
2020	335,568	(174,209)	161,359
2021	318,942	(171,454)	147,488
2022	308,539	(166,675)	141,864
Thereafter	<u>3,436,618</u>	<u>(1,828,796)</u>	<u>1,607,822</u>
	<u>\$ 5,098,266</u>	<u>\$ (2,704,179)</u>	<u>\$ 2,394,087</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 40,000	\$ 40,000
Buildings	773,080	769,035
Leasehold improvements	93,695	-
Computers and office equipment	160,978	141,959
Building equipment	70,563	70,563
Vehicles	<u>175,959</u>	<u>120,769</u>
	1,314,275	1,142,326
Less: Accumulated depreciation	<u>(584,725)</u>	<u>(510,720)</u>
	<u>\$ 729,550</u>	<u>\$ 631,606</u>

5. RESTRICTED CASH AND INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Cash	\$ 11,067	\$ 33,252
Equities	214,018	193,678
Mutual funds	<u>20,432</u>	<u>20,916</u>
	<u>\$ 245,517</u>	<u>\$ 247,846</u>

6. LINE-OF-CREDIT

The Organization has a line of credit agreement with a bank. Under the terms of the agreement, the Organization may borrow up to \$300,000. Amounts borrowed bear interest at the prime rate (4.25% and 3.50% as of June 30, 2017 and 2016, respectively) and are due on demand. The line-of-credit is secured by substantially all present and future assets of the Organization. There was \$236,614 and \$601 outstanding at June 30, 2017 and 2016, respectively.

7. NOTES PAYABLE - AFFILIATE

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

	<u>2017</u>	<u>2016</u>
Note payable in the original principal amount of \$285,200 requiring monthly payments of \$4,038 including interest at 4.95%. Final payment is due June 2018.	\$ 46,994	\$ 91,732
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.	59,165	77,442
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>166,178</u>	<u>180,600</u>
	272,337	349,774
Less: Current portion	<u>(81,144)</u>	<u>(77,484)</u>
	<u>\$ 191,193</u>	<u>\$ 272,290</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, 2017 and 2016, respectively.

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

	<u>Amount</u>
2018	\$ 81,144
2019	35,615
2020	37,143
2021	17,477
2022	18,322
Thereafter.....	<u>82,636</u>
	<u>\$ 272,337</u>

8. COMMITMENTS

The Organization entered into a lease agreement with a third party for additional storage space for the ReStore. Monthly payments required under the terms of the original lease agreement were \$1,375 through October 2015. The lease was extended in fiscal 2016 and 2017 for an additional one-year term, requiring new monthly payments of \$1,416 for the period from November 2015 through October 2016 and monthly payments of \$1,503 for the period from November 2016 through October 2017.

The Organization entered into a lease agreement for a second ReStore location. Monthly payments of \$8,813 commenced in January 2017 and will continue through December 2021.

Equipment Lease -

During fiscal 2016, the Organization entered into a new lease agreement for a copier. Under the terms of the lease, the Organization is 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.

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

	<u>Amount</u>
2018	\$ 113,505
2019	106,332
2020	105,750
2021	105,750
2022	<u>17,625</u>
	<u>\$ 448,962</u>

9. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes as of June 30:

	<u>2017</u>	<u>2016</u>
Tithe fund	\$ 240,948	\$ 223,277
Building reserves fund	104,569	104,569
Vehicles	<u>-</u>	<u>8,567</u>
	<u>\$ 345,517</u>	<u>\$ 336,413</u>

9. RESTRICTIONS ON NET ASSETS (Continued)

Temporarily restricted net assets released from restrictions were as follows during the years ended June 30:

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 8,567	\$ 11,433
Tithe fund	<u>10,000</u>	<u>10,000</u>
	<u>\$ 18,567</u>	<u>\$ 21,433</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 both June 30, 2017 and 2016, the temporarily restricted amount totaled \$104,569, which included principal of \$100,000 and cumulative earnings of \$4,569. At June 30, 2017 and 2016, the Organization had loans of \$100,000 and \$80,000, respectively, from this fund.

10. ASSETS THAT ARE LIMITED TO USE

Assets that are limited to use include amounts set aside as required by Habitat for Humanity International, Inc. for future repayment of debt equal to the final quarter's payment. These funds are to be returned to the Organization upon full payment of the outstanding principal balance of the loan.

The debt service reserve accounts held by Habitat for Humanity International, Inc. are available for unrestricted use in:

	<u>Amount</u>
Periods after June 30, 2018	\$ 12,114
Periods after June 30, 2020	<u>5,240</u>
	<u>\$ 17,354</u>

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 \$33,000 and \$25,000 for the years ended June 30, 2017 and 2016, 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.