

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

**Financial Statements  
as of June 30, 2018  
Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

February 14, 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, 2018, 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, 2018 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 2017 financial statements, and our report dated February 5, 2018 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, 2017, 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, 2018**

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 352,165	\$ 61,256
Current portion of mortgages receivable	191,394	169,605
Accounts receivable, net	-	229,637
Grants receivable	31,000	155,000
Other current assets	9,610	19,849
Total current assets	<u>584,169</u>	<u>635,347</u>
PROPERTY AND EQUIPMENT, net	<u>663,310</u>	<u>729,550</u>
OTHER ASSETS:		
Mortgages receivable, net of current portion	2,219,197	2,224,482
Construction in progress, net	593,422	193,441
Homes available for sale, net	124,119	241,935
Restricted cash and investments	253,962	245,517
Assets that are limited to use	5,240	5,240
Total other assets	<u>3,195,940</u>	<u>2,910,615</u>
	<u>\$ 4,443,419</u>	<u>\$ 4,275,512</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Current portion of notes payable - affiliate	\$ 35,615	\$ 81,144
Line-of-credit	-	236,614
Accounts payable	141,435	103,118
Accrued expenses and other current liabilities	34,731	32,802
Total current liabilities	211,781	453,678
NOTES PAYABLE - AFFILIATE, net of current portion	<u>155,532</u>	<u>191,193</u>
Total liabilities	<u>367,313</u>	<u>644,871</u>
NET ASSETS:		
Unrestricted net assets	3,722,144	3,285,124
Temporarily restricted net assets	353,962	345,517
Total net assets	<u>4,076,106</u>	<u>3,630,641</u>
	<u>\$ 4,443,419</u>	<u>\$ 4,275,512</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, 2018  
 (With Comparative Totals for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	
SUPPORT:				
House sponsorships	\$ 622,283	\$ -	\$ 622,283	\$ 257,978
Fundraising and donations	894,147	-	894,147	492,663
Homebuilding grants	281,003	-	281,003	233,500
Other support	21,160	-	21,160	26,791
Net assets released from restriction	11,385	(11,385)	-	-
Total support	<u>1,829,978</u>	<u>(11,385)</u>	<u>1,818,593</u>	<u>1,010,932</u>
REVENUES:				
Sale of homes	749,000	-	749,000	601,500
Mortgage receivable discount amortization	191,597	-	191,597	212,151
ReStore income	810,623	-	810,623	696,441
Unrealized gain on investments	-	19,830	19,830	27,671
Miscellaneous income	144,957	-	144,957	23,917
Total revenues	<u>1,896,177</u>	<u>19,830</u>	<u>1,916,007</u>	<u>1,561,680</u>
Total increases	<u>3,726,155</u>	<u>8,445</u>	<u>3,734,600</u>	<u>2,572,612</u>
EXPENSES:				
Cost of homes sold	909,394	-	909,394	812,315
Discount on mortgages receivable	358,099	-	358,099	203,170
Change in discount on homes available for sale	(256,803)	-	(256,803)	137,440
Change in discount on construction in progress	209,654	-	209,654	-
Program services:				
ReStore	783,751	-	783,751	704,634
Construction overhead and other	551,497	-	551,497	559,082
General and administrative	446,772	-	446,772	294,514
Fundraising	286,771	-	286,771	248,762
Total decreases	<u>3,289,135</u>	<u>-</u>	<u>3,289,135</u>	<u>2,959,917</u>
CHANGE IN NET ASSETS	437,020	8,445	445,465	(387,305)
NET ASSETS, beginning of year	<u>3,285,124</u>	<u>345,517</u>	<u>3,630,641</u>	<u>4,017,946</u>
NET ASSETS, end of year	<u>\$ 3,722,144</u>	<u>\$ 353,962</u>	<u>\$ 4,076,106</u>	<u>\$ 3,630,641</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, 2018

(With Comparative Totals for 2017)

	<u>Program</u>			<u>Total</u>			
	<u>ReStore</u>	<u>Construction Overhead and Other</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2018</u>	<u>2017</u>
Payroll and payroll taxes	\$ 352,427	\$ 218,070	\$ 570,497	\$ 246,319	\$ 126,681	\$ 943,497	\$ 898,197
Employee benefits	41,589	25,734	67,323	29,067	14,949	111,339	99,043
Rent expense	108,004	-	108,004	-	-	108,004	63,002
Small tools and supplies	91,217	13,971	105,188	-	-	105,188	69,282
Fundraising events	-	-	-	-	105,072	105,072	86,402
Insurance	11,466	60,356	71,822	17,956	-	89,778	97,462
Depreciation and amortization	7,378	36,889	44,267	14,756	14,756	73,779	74,005
Legal and accounting	-	64,708	64,708	8,750	-	73,458	70,573
Equipment maintenance	19,403	15,387	34,790	22,796	15,387	72,973	50,557
Utilities	40,847	-	40,847	-	-	40,847	32,293
Auto	19,065	13,011	32,076	-	-	32,076	28,651
Bad debt expense (recovery)	-	-	-	31,519	-	31,519	(90,867)
Promotion and public relations	16,268	6,808	23,076	2,128	1,702	26,906	21,273
Habitat International - tithe and support fees	-	25,000	25,000	-	-	25,000	25,000
Bank charges	14,500	-	14,500	4,929	1,820	21,249	21,435
Interest	9,055	-	9,055	7,646	-	16,701	22,629
Building repair and maintenance	13,693	-	13,693	-	-	13,693	27,579
Mortgage outsourcing fees	-	4,669	4,669	4,669	-	9,338	23,427
Temporary help and consulting	-	-	-	3,095	-	3,095	32,300
Miscellaneous	38,839	66,894	105,733	53,142	6,404	165,279	154,749
	<u>\$ 783,751</u>	<u>\$ 551,497</u>	<u>\$ 1,335,248</u>	<u>\$ 446,772</u>	<u>\$ 286,771</u>	<u>\$ 2,068,791</u>	<u>\$ 1,806,992</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, 2018**

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Support and contributions received	\$ 1,942,593	\$ 1,030,932
Mortgage payments received	354,438	366,669
Proceeds from sale of homes	193,082	219,727
Cash received from ReStore sales	810,623	696,441
Interest and other income received	154,957	13,917
Cash paid to suppliers	(990,519)	(770,668)
Cash paid for salaries	(939,405)	(894,348)
Cash paid for operating expenses	(496,729)	(492,848)
Cash paid for fundraising	(107,896)	(82,224)
Cash paid for ReStore expenses	(388,692)	(307,450)
Cash received (paid) for homeowner escrow deficiencies	77,001	(66,150)
Interest paid	(16,701)	(22,629)
Net cash flow from operating activities	<u>592,752</u>	<u>(308,631)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Net withdrawals from restricted cash	11,385	30,000
Purchases of property and equipment	(7,539)	(171,949)
Net cash flow from investing activities	<u>3,846</u>	<u>(141,949)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
(Repayments) borrowings on line-of-credit, net	(236,614)	236,013
Repayment of notes payable - affiliate	(69,075)	(77,437)
Net cash flow from financing activities	<u>(305,689)</u>	<u>158,576</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>290,909</b>	<b>(292,004)</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<b><u>61,256</u></b>	<b><u>353,260</u></b>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<b><u>\$ 352,165</u></b>	<b><u>\$ 61,256</u></b>

(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, 2018

(With Comparative Totals for 2017)

(Continued)

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 445,465	\$ (387,305)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	73,779	74,005
Discount on mortgages receivable	358,099	203,170
Amortization of discount on mortgages receivable	(191,597)	(212,151)
Change in discount on homes available for sale	(256,803)	137,440
Change in discount on construction in progress	209,654	-
Unrealized gain on investments	(19,830)	(27,671)
Bad debt (recovery) expense	31,519	(90,867)
Change in:		
Mortgages receivable	(183,006)	144,816
Accounts receivable	198,118	(146,240)
Grants receivable	124,000	20,000
Other current assets	(1,876)	(838)
Construction in progress	(609,635)	304,387
Homes available for sale	374,619	(306,776)
Accounts payable	38,317	(20,984)
Accrued expenses and other current liabilities	1,929	383
Net cash flow from operating activities	<u>\$ 592,752</u>	<u>\$ (308,631)</u>

The accompanying notes are an integral part of these statements.



# FLOWER CITY HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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### 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, 2018 and 2017, 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, 2018 or 2017.

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 consisted of amounts to be received from the Organization's mortgage servicer for deficiencies in homeowner's escrow accounts that were paid by the Organization initially and reimbursed through homeowner escrow payments. At June 30, 2017 accounts receivable also included amounts outstanding relative to sale of homes outright with no mortgage. The Organization recorded an allowance for doubtful accounts on June 30, 2017 of \$19,200 based on historical collections and management's review of specific account balances. During 2018, the Organization changed mortgage servicing companies and no longer pays homeowner escrow deficiencies; correspondingly there was no accounts receivable outstanding at June 30, 2018.

### 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, 2018 and 2017, there was \$31,000 and \$155,000, respectively, of grants that had not been received by the Organization as of year-end.

### 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 \$209,654 at June 30, 2018. No discount was required at June 30, 2017.

### 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. No discount on homes available for sale was required at June 30, 2018. The discount totaled \$256,803 at June 30, 2017.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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.

## 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 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.

### 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Events Occurring After Reporting Date -

The Organization has evaluated events and transactions that occurred between June 30, 2018 and February 14, 2019, 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.

### 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, 2017, from which the summarized information was derived.

## 3. MORTGAGES RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
Mortgages receivable	\$ 5,110,366	\$ 5,098,266
Discounts on non-interest-bearing notes	<u>(2,699,775)</u>	<u>(2,704,179)</u>
	2,410,591	2,394,087
Less: current portion	<u>(191,394)</u>	<u>(169,605)</u>
	<u>\$ 2,219,197</u>	<u>\$ 2,224,482</u>

### 3. MORTGAGES RECEIVABLE (Continued)

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>
2019 .....	\$ 365,494	\$ (174,100)	\$ 191,394
2020 .....	357,554	(176,055)	181,499
2021 .....	347,792	(171,333)	176,459
2022 .....	331,166	(166,827)	164,339
2023 .....	320,763	(161,283)	159,480
Thereafter .....	<u>3,387,597</u>	<u>(1,850,177)</u>	<u>1,537,420</u>
	<u>\$ 5,110,366</u>	<u>\$ (2,699,775)</u>	<u>\$ 2,410,591</u>

### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 40,000	\$ 40,000
Buildings	773,080	773,080
Leasehold improvements	93,695	93,695
Computers and office equipment	168,517	160,978
Building equipment	70,563	70,563
Vehicles	<u>175,959</u>	<u>175,959</u>
	1,321,814	1,314,275
Less: Accumulated depreciation	<u>(658,504)</u>	<u>(584,725)</u>
	<u>\$ 663,310</u>	<u>\$ 729,550</u>

### 5. RESTRICTED CASH AND INVESTMENTS

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

	<u>2018</u>	<u>2017</u>
Cash	\$ 19,192	\$ 11,067
Equities	224,630	214,018
Mutual funds	<u>10,140</u>	<u>20,432</u>
	<u>\$ 253,962</u>	<u>\$ 245,517</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 (5.00% and 4.25% as of June 30, 2018 and 2017, 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 outstanding at June 30, 2017. No balance was outstanding at June 30, 2018.

## 7. NOTES PAYABLE - AFFILIATE

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

	<u>2018</u>	<u>2017</u>
Note payable in the original principal amount of \$285,200 requiring monthly payments of \$4,038 including interest at 4.95%. Final payment was made June 2018.	\$ -	\$ 46,994
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.	40,184	59,165
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>150,963</u>	<u>166,178</u>
	191,147	272,337
Less: current portion	<u>(35,615)</u>	<u>(81,144)</u>
	<u>\$ 155,532</u>	<u>\$ 191,193</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, 2018 and 2017, 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>
2019 .....	\$ 35,615
2020 .....	37,143
2021 .....	17,477
2022 .....	18,322
2023 .....	19,208
Thereafter.....	<u>63,382</u>
	<u>\$ 191,147</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 additional one-year terms, 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 lease was not renewed past 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.

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.

Subsequent to year-end, the Organization entered into a lease agreement for additional customer and volunteer parking space. The lease agreement requires monthly payments of \$600 commencing in November 2018 and continuing through October 2020.

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

	<u>Amount</u>
2019 .....	\$ 111,132
2020 .....	112,950
2021 .....	108,150
2022 .....	<u>52,875</u>
	<u>\$ 385,107</u>



## 9. RESTRICTIONS ON NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Tithe fund	\$ 249,393	\$ 240,948
Building reserves fund	<u>104,569</u>	<u>104,569</u>
	<u>\$ 353,962</u>	<u>\$ 345,517</u>

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

	<u>2018</u>	<u>2017</u>
Tithe fund	\$ 11,385	\$ 10,000
Vehicles	<u>-</u>	<u>8,567</u>
	<u>\$ 11,385</u>	<u>\$ 18,567</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, 2018 and 2017, the temporarily restricted amount totaled \$104,569, which included principal of \$100,000 and cumulative earnings of \$4,569. At June 30, 2018 and 2017, the Organization had loans of \$100,000, 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, 2020	<u>\$ 5,240</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 \$24,000 and \$33,000 for the years ended June 30, 2018 and 2017, 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.