

WARREN COUNTY HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

WARREN COUNTY HABITAT FOR HUMANITY, INC.
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Warren County Habitat For Humanity, Inc.

We have audited the accompanying financial statements of Warren County Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 2 (within inventory heading) to the financial statements, inventory at the ReStore acquired by contribution is recorded at fair market value when it is donated, however we were not able to conduct procedures to accumulate sufficient audit evidence to determine the value of the inventory as of June 30, 2017.

As explained in Note 2 (within the impairment of long lived assets heading) to the financial statements, the Organization does not have a mechanism in place to timely identify circumstances requiring an impairment analysis of real estate assets under development or held for sale.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Warren County Habitat for Humanity, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

We have previously audited Warren County Habitat For Humanity, Inc.'s 2016 financial statements, and our report dated April 12, 2017, expressed a qualified opinion on those audited financial statements.

Murphy & Company, LLC

Certified Public Accountants
Newton, New Jersey

November 08, 2017

WARREN COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$266,527	\$242,585
Promises to give-restricted	5,000	5,000
Mortgage loans receivable, net of unamortized discount-current	32,387	32,387
Inventory	108,280	79,111
Prepaid expenses	5,400	5,051
Homes under construction	571,909	250,359
Other assets	4,492	7,857
Total Current Assets	<u>993,995</u>	<u>622,350</u>
OTHER ASSETS		
Property and equipment, net of accumulated depreciation of \$22,223 and \$19,576, respectively	358,032	369,836
Mortgage loans receivable, net of unamortized discount \$474,320 and \$492,814, respectively	280,811	291,564
Total Other Assets	<u>638,843</u>	<u>661,400</u>
TOTAL ASSETS	<u><u>\$1,632,838</u></u>	<u><u>\$1,283,750</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$7,862	\$11,996
Accrued expenses	14,267	14,037
Escrow deposits	8,424	11,405
Sales tax payable	3,115	3,619
Current portion long-term debt	-	4,082
Total Current Liabilities	<u>33,668</u>	<u>45,139</u>
LONG TERM LIABILITIES		
Long-Term debt	-	16,688
Total Liabilities	<u>33,668</u>	<u>61,827</u>
NET ASSETS		
Unrestricted	1,395,579	1,155,435
Temporarily restricted	203,591	66,488
Total Net Assets	<u>1,599,170</u>	<u>1,221,923</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,632,838</u></u>	<u><u>\$1,283,750</u></u>

See accompanying notes to financial statements and independent auditor's report.

WARREN COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2017 AND 2016

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
PUBLIC SUPPORT AND REVENUE				
Contributions				
Building materials and services	\$ 0	\$71,103	\$71,103	\$66,391
Cash	89,880	-	89,880	73,130
Habitat ReStore merchandise	621,419	-	621,419	544,041
In-kind land	-	66,000	66,000	-
Sale of homes	-	-	-	261,000
Mortgage discount amortization	21,670	-	21,670	20,793
Sales- Habitat ReStore	592,753	-	592,753	526,682
Thrift store sales	-	-	-	17,358
Fundraising events, net of direct cost of	48,946	-	48,946	36,701
Rental income	2,400	-	2,400	2,200
Interest income	387	-	387	194
Other income	-	-	-	50
Grants	10,855	-	10,855	31,763
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,388,310</u>	<u>137,103</u>	<u>1,525,413</u>	<u>1,580,303</u>
NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS	-	-	-	-
EXPENSES				
Program:				
Construction	197,575	-	197,575	680,903
Habitat ReStore	894,226	-	894,226	804,818
Supporting services:				
Management and general	36,125	-	36,125	45,810
Fundraising expenses	20,240	-	20,240	20,312
TOTAL EXPENSES	<u>1,148,166</u>	<u>-</u>	<u>1,148,166</u>	<u>1,551,843</u>
REVENUE IN EXCESS OF PUBLIC SUPPORT AND EXPENSES	<u>240,144</u>	<u>137,103</u>	<u>377,247</u>	<u>28,460</u>
CHANGES IN NET ASSETS	240,144	137,103	377,247	28,460
Net assets, beginning (restated- see note 10)	<u>1,155,435</u>	<u>66,488</u>	<u>1,221,923</u>	<u>1,193,463</u>
NET ASSETS, Ending	<u>\$1,395,579</u>	<u>\$203,591</u>	<u>\$1,599,170</u>	<u>\$1,221,923</u>

See accompanying notes to financial statements and independent auditor's report.

WARREN COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017 AND 2016

	PROGRAM SERVICES:		SUPPORTING SERVICES:		TOTAL EXPENSES:	
	CONSTRUCTION	HABITAT RESTORE	MANAGEMENT AND GENERAL	FUNDRAISING	2017	2016
Wages	\$77,652	\$115,414	\$20,188	\$18,181	\$231,435	\$225,142
Employment taxes	6,722	10,778	1,973	1,521	20,994	21,723
Worker compensation insurance	2,299	3,417	598	538	6,852	2,869
Insurance	9,140	1,949	1,016	-	12,105	14,937
Hope in the Hills Expense	7,314	-	-	-	7,314	10,780
Rent	-	96,000	-	-	96,000	90,000
Repairs and maintenance	263	2,190	2,533	-	4,986	3,255
Tithe	36,755	-	-	-	36,755	27,030
Donation pickup costs	-	6,312	-	-	6,312	4,197
Food and lodging	2,911	803	-	-	3,714	3,825
Dues & memberships	7,607	-	-	-	7,607	7,690
Professional fees	27,900	-	-	-	27,900	12,354
Training costs	3,658	-	-	-	3,658	1,752
Telephone and fax	-	2,688	2,169	-	4,857	5,181
Computer expenses	-	873	2,225	-	3,098	2,165
Other expenses	7,352	13,324	504	-	21,180	13,350
Supplies	-	5,048	-	-	5,048	5,764
Postage and freight	-	-	862	-	862	1,245
Bank fees	-	13,652	20	-	13,672	12,002
Office expenses	300	-	1,788	-	2,088	846
Advertising	1,535	4,971	-	-	6,506	1,507
Homes under construction expenses	(9,652)	-	-	-	(9,652)	340,229
Donation to ReStore	-	592,250	-	-	592,250	544,041
Mortgage discount	-	-	-	-	-	165,675
Community development	803	-	-	-	803	-
Scholarship	2,250	-	-	-	2,250	-
Utilities	-	24,557	2,249	-	26,806	21,321
Total expenses before depreciation and interest	184,809	894,226	36,125	20,240	1,135,400	1,538,880
Depreciation & amortization expense	11,804	-	-	-	11,804	12,111
Interest expense	962	-	-	-	962	852
TOTAL EXPENSES	\$197,575	\$894,226	\$36,125	\$20,240	\$1,148,166	\$1,551,843

See accompanying notes to financial statements and independent auditor's report.

WARREN COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017 AND 2016

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Increase (decrease) in Net Assets	\$377,247	\$28,460
Adjustments to reconcile net assets to net cash provided (used) by operating activities		
Depreciation	11,804	12,111
Amortization of discount of zero- interest mortgages receivables	(21,670)	(20,793)
(Increase) decrease in:		
Inventory	(29,169)	(6,136)
Prepaid expenses	(349)	9,884
Homes under construction	(321,550)	161,689
Other assets	3,365	(2,063)
Increase (decrease) in:		
Accounts payable	(4,134)	874
Accrued expenses	230	2,944
Escrow deposits	(2,981)	1,777
Sales tax payable	(504)	646
Total adjustments	<u>(364,958)</u>	<u>160,933</u>
Net Cash Provided (Used) by Operating Activities	<u>12,289</u>	<u>189,393</u>
Cash Flows From Investing Activities		
Property and equipment purchases	-	(26,102)
Issuance of mortgages	-	(261,000)
Collection of mortgages	32,423	195,491
Net Cash (Used) by Investing Activities	<u>32,423</u>	<u>(91,611)</u>
Cash Flows From Financing Activities		
Proceeds from notes payable	-	24,000
Notes payable repayment	(20,770)	(3,230)
Net Cash Provided by Financing Activities	<u>(20,770)</u>	<u>20,770</u>
Net Increase in Cash and Cash Equivalents	<u>23,942</u>	<u>118,552</u>
Net Cash and Cash Equivalents, beginning of year	<u>242,585</u>	<u>124,033</u>
Net Cash and Cash Equivalents, end of year	<u>\$266,527</u>	<u>\$242,585</u>

See accompanying notes to financial statements and independent auditor's report.

WARREN COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

NOTE 1. NATURE OF ORGANIZATION

Warren County Habitat For Humanity, Inc. (the "Organization") is a Christian nonprofit corporation, was incorporated on February 21, 1998. The Organization is an affiliate of Habitat for Humanity International, Inc., ("HFHI"). The Organization's mission is seeking to put God's love into action. Habitat for Humanity brings people together to build homes, communities, and hope.

In fulfilling its mission, the Organization builds and rehabilitates homes in Warren County, New Jersey, sells them to low-income families (homeowners) and holds non-interest bearing mortgage receivables with payments commensurate with the family's ability to pay. The Organization also provides prospective homeowners in its program with programs to learn and practice home repair, maintenance, budgeting, and other life skills. Homeowners are required to pledge 250 hours per adult household member above 18 and children 14 through 18 are asked to complete 50 hours of service to building of their home or the homes of other Habitat homeowners, not to exceed 500 hours per family. The Organization is also involved with Hope in the Hills of Warren, which seeks to improve the living conditions of elderly, low-income and disabled persons in the community. The Organization is also involved with Neighborhood Revitalization by partnering with community groups for various projects and with Habitat in Honduras by designating one hundred percent of the tithe be sent to Habitat for Humanity affiliates in Honduras.

The Organization works through cooperative volunteer partnerships with families and individuals in the local community through donations of property, gifts-in-kind for materials, cash donations to our building fund, and by using volunteer labor wherever possible. The homeowners monthly mortgage payments are recycled into a revolving fund that is used to continue the Organizations work.

The Organization operates a resale store ("ReStore") as a supporting service to raise funds. The ReStore sells furniture, decor, household goods, building supplies, rugs, appliances and more, which are donated items. The mission of the ReStore is to help the organization build homes for local qualified low income families and reduce waste recycling or reclaiming materials that would otherwise be discarded.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization has adopted Financial Accounting Standards Board ASC 958-210-45, Financial Statements of Non Profit Organizations. Under ASC 958-210-45, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when notice is received, and grant revenues are recorded when earned. ReStore donations are recorded when the items are received.

Revenue and Cost Recognition

The financial statements of the Organization are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred. Revenues from the sale of houses are recognized at the transfer to the homeowner. Construction costs are capitalized and carried as an asset until the property is completed and sold. Contributions are recognized when received, or upon notification of commitment from the donor. Contributions received that have some form of donor stipulation attached to them are recorded as temporarily restricted net assets. Once the Organization satisfies the donor stipulation, either by using the donation for the approved purpose or by the passage of time, the contribution amount is released from restriction.

WARREN COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to be all cash and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the organization to concentrations of credit risk consist of cash and cash equivalents (deposits). The Organization maintains these balances in several financial institutions to limit risk. From time to time during the year, the Organization's cash balance financial institutions may exceed the FDIC insurance limits. At June 30, 2017 and 2016, the Organization had \$8,637 and \$0 the exceeded FDIC limits, respectively.

The Organization's mortgage receivables consist of non-interest bearing mortgages due from homeowners. Mortgage loans are recorded when a homeowner occupies the home and title is transferred. The loans are non-interest bearing loans and are recorded at the gross amount of payments to be received over the life of the mortgage, and an offsetting discount is recorded based on prevailing market rates for low income housing at the inception of the mortgages. Discounts are amortized using the imputed interest method over the lives of the mortgages. Therefore, mortgage loan receivable balances are stated net of discount and of any allowance for uncollected amounts based on management's judgment and analysis of the credit-worthiness of the homeowners, past payment experience, and other relevant factors.

At June 30, 2016, management believes no allowance is necessary since the value of each home is generally greater than the respective carrying value of the mortgage due.

ReStore Inventory

ReStore inventory is recorded at fair market value when received after being examined for salability, since substantially all inventory items at the ReStore are donated. At the time, inventory is sold, the items are recorded as revenue without a corresponding cost of goods sold. Accounting principles generally accepted in the United States of America require contributions to be recorded at fair value at the date of receipt in the statement of financial position. Currently the donations of items to be sold are being recorded at fair market value based upon calculation of the ending inventory amount plus the amount sold less the beginning inventory. At the time of sale, items sold are reflected in the statement of activities as revenue.

Impairment of Long-Lived Assets

Accounting principles generally accepted in the United States of America require long lived assets (single family homes) to be recorded at the lower of the carrying amount or fair value less selling costs (if held for sale), and carrying amount of a property exceeds its fair value (if not held for sale). If the carrying amount of the property exceeds its fair value less selling costs, an impairment loss should be recognized for the excess and the carrying amount reduced accordingly. The Organization does not have a mechanism in place to timely identify circumstances requiring an impairment analysis. Homes held for sale are evaluated for impairment if impairment indicators are present. An impairment charge to write-down the carrying value to fair value less costs to sell occurs only if the estimated future undiscounted net cash flows from the homes are less than the carrying amount.

WARREN COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Homes Under Construction and Held for Sale

Homes under construction includes the direct and indirect cost of construction, property taxes, land, and other donated value of materials and professional services used in the construction of homes. Transfer to homeowners is recorded when the home is occupied and title has transferred.

Homes are sold to qualified buyers at the amount the purchaser is able to pay. These notes are non-interest bearing. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at 7.48 for the year ended June 30, 2016, based upon prevailing market rates for low-income housing at inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. During the year ended June 30, 2017 no homes were sold. During the year ended June 30, 2016, two homes were sold.

Property and Equipment

Property and equipment are capitalized when the cost is in excess of \$500 with a useful life over one year. Property and equipment is recorded at cost or, if donated, at fair value at the date of donation. Major repairs and improvements are capitalized, while repairs and maintenance expenditures are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts and any resulting gains or losses are recognized. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives of each asset group as follows:

<u>Asset Group</u>	<u>Years</u>
Buildings and Improvements	39
Computers & Office Equipment	3
Equipment	5

Contributions

Contributions received with no restrictions specified uses identified by the donor are included in unrestricted revenue in the statement of activities when received. Contributions received with donor stipulations that limit the use of donated assets are reported either as temporarily or permanently restricted revenue in the statement of activities when received.

When donor restrictions expire or are fulfilled by actions of the Organization, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted revenue in the accompanying statement of activities.

Donated Goods and Services

Donated services (in kind donations) are recognized as contributions in accordance with FASB ASC No. 958, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of unpaid volunteers have made contributions of their time by providing construction, legal, architectural and engineering services to the Organization. Donations of building materials are received and used in the construction of homes. Accounting principles generally accepted in the United States of America require contributions including donated materials to be recorded at fair value at the date of receipt. During the year ended June 30, 2017 and 2016 respectively the Organization recognized in kind donations of \$71,103 and \$66,391 respectively, which was capitalized against the cost of the homes held for sale.

WARREN COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fundraising Activities

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958 "Accounting for Costs of Activities of Not-For-Profit Organizations and State and Local Government Entities that Included Fundraising." FASB ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions. Directly identifiable fundraising expenses are charged to program and supporting services. Expenses related to more than one function are charged to programs and supporting services on an allocation of time. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Functional Expense Allocation

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis. Expenses are charged to the program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated equally to program and supporting service.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501 (a) of the Code. However, the Organization is not exempt from federal income taxes on unrelated business income, accordingly no provision for income taxes has been recorded in the accompanying financial statements as the Organization had no unrelated business income for the year ended June 30, 2017 or June 30, 2016. The Organization is also exempt under Title 15 of the State of New Jersey "Corporations and Associations Not for Profit Act." Accordingly, no provisions for federal or state income taxes have been presented in the accompanying financial statements.

As of June 30, 2017 the Organization's federal income tax returns for 2014, 2015, and 2016 remain open to examination by the Internal Revenue Service. Currently there are no returns under audit.

NOTE 3. MORTGAGE RECEIVABLE, NET

A home is considered sold when a formal closing transaction has been finalized. As of June 30, 2017, the Organization held eleven non-interest bearing mortgage loans. The mortgage maturities range from 23.75 to 30 years. HFHI requires local chapters to discount their non-interest bearing mortgages at certain discount rates resulting to their present value at the time the mortgage is issued. The discounted amount is amortized over the life of the mortgage using the imputed interest rate.

As of June 30, 2017, the estimated annual repayment amounts on these mortgage receivable balances along with the unamortized discount were as follows:

<u>For the Year Ending December 31,</u>	<u>Amount</u>
2018	\$32,387
2019	32,387
2020	32,387
2021	32,387
2022	32,387
Thereafter	<u>622,406</u>
Less: unamortized discount	<u>(471,143)</u>
Mortgage receivable, Net	<u>\$313,198</u>

WARREN COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016 consist of the following:

Land, building, and improvements	\$362,374	\$371,531
Computer equipment and software	13,632	13,632
Vehicles	<u>4,249</u>	<u>4,249</u>
Less: accumulated depreciation	<u>(22,223)</u>	<u>(19,576)</u>
Property and equipment, net	<u>\$358,032</u>	<u>\$369,836</u>

Depreciation expense was \$11,804 and \$12,111 for the years ended June 30, 2017 and 2016, respectively.

NOTE 5. SINGLE FAMILY HOMES

Single family homes at June 30, 2017 and 2016 consist of the following:

<u>Single family homes consist of:</u>		
Land	\$105,500	\$105,500
Construction in progress	<u>466,409</u>	<u>144,859</u>
	571,909	250,359
Less allowance for impairment	<u>-</u>	<u>-</u>
Total	<u>\$571,909</u>	<u>\$250,359</u>

Potential homeowners must meet certain requirements before they can close on a home. If the home is completed before these requirements are met, then the family is allowed to rent while working to meet the requirements. Before closing on a home, potential homeowners must prepay a certain amount of closing costs, which are recorded as escrow and was approximately \$0 and \$5,884 at June 30, 2017 and 2016, respectively.

NOTE 6. LONG TERM DEBT

The Organization entered into a business loan with Investors Bank on September 3, 2015 with an original balance of \$24,000. The debt is payable in monthly payments of \$453.58 including principal and interest through September 1, 2020, unless demanded earlier by the lender. The interest rate is fixed at 5.0% per annum based on a year of 360 days until paid in full, the balance as of June 30, 2017 and 2016 was \$0 and \$20,770, respectively.

NOTE 7. CONTRIBUTIONS AND GRANTS

Contributions and grants, which are included in the statement of activities and changes in net assets, for the year ended June 30, 2016 consist of the HFHI CB13 subgrant program for salaries of \$95,000 and \$5,000 of training costs for the 2014 through 2016.

WARREN COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

NOTE 8. RESTORE, NET

ReStore revenue and expenses, which is recorded as ReStore, net in the accompanying statement of activities and changes in net assets, for the year ended June 30, 2017 and 2016 consist of the following:

Habitat ReStore merchandise	\$621,419	\$544,041
Sales- Habitat ReStore	<u>592,753</u>	<u>526,682</u>
RESTORE SALES REVENUE	<u>1,214,172</u>	<u>1,070,723</u>
 EXPENSES		
Wages	115,414	107,557
Employment taxes	10,778	11,240
Worker compensation insurance	3,417	1,371
Insurance	1,949	1,890
Bank fees	13,652	11,449
Rent	96,000	90,000
Repairs and maintenance	2,190	1,373
Donation pick up costs	6,312	4,197
Food and lodging	803	1,247
Training costs	-	1,218
Telephone and fax	2,688	2,457
Computer expenses	873	618
Other expenses	13,324	1,787
Supplies	5,048	5,764
Advertising	4,971	1,015
Donation to ReStore	592,250	544,041
Utilities	<u>24,557</u>	<u>17,594</u>
Total Expenses	<u>894,226</u>	<u>804,818</u>
 CHANGES IN NET ASSETS, ReStore	 <u>\$319,946</u>	 <u>\$265,905</u>

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of donated funds restricted for the construction of specific homes and are included in cash and cash equivalents and pledges receivable on the statement of financial position. Temporary restricted assets for 2017 and 2016 are the following:

	<u>2017</u>	<u>2016</u>
Promises to give	\$5,000	\$5,000
Donated material and labor	<u>198,591</u>	<u>61,488</u>
	<u>\$203,591</u>	<u>\$66,488</u>

NOTE 10. COMMITMENTS AND CONTINGENCIES

The Organization entered into a lease for the ReStore on January 2, 2012 for 10,000 square feet. On April 1, 2017 there was a fourth addendum to the lease agreement dated January 2, 2012. The fourth addendum increased the monthly rental from \$7,500 per month to \$9,500 per month beginning April 2017 and ending December 31, 2017. Rent expense for the year ended June 30, 2017 and 2016 respectively was \$96,000 and \$90,000.

The future estimated minimum rental payments under the lease are as followings:

For the year ending June 30,	
2017	<u>\$67,500</u>
Total	<u>\$67,500</u>

WARREN COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

NOTE 11. RESTATEMENT OF NET ASSETS

The financial statements for June 30, 2016 have been restated due to the recording of donations received at the ReStore in the amount of \$544,041. The in kind donation of ReStore merchandise was recorded in revenue as Habitat ReStore merchandise and as an offsetting expense in Donation to ReStore. This prior period adjustment had no affect on the change in net assets and was calculated based on ReStore sales, beginning and ending inventory amounts. The prior years disclosures stated that records were not kept of donations recieved at the ReStore as of June 30, 2016.

The previously issued financial statements for the year ended June 30, 2015 have been restated in order to properly reflect certain financial statement accounts. The following net adjustments were made:

	June 30, 2015 (As Stated)	Prior Period Adjustment	June 30, 2015 Restated
Total Assets	<u>\$1,122,870</u>	<u>\$105,411</u>	<u>\$1,228,281</u>
Total Liabilities	10,092	24,725	34,817
Total Net Assets	<u>1,112,778</u>	<u>80,686</u>	<u>1,193,464</u>
Total Liabilities and Net Assets	<u>\$1,122,870</u>	<u>\$105,411</u>	<u>\$1,228,281</u>

Accounts affected include the Organization's promise to give, prepaid expenses, homes under construction and held for resale, property and equipment, mortgage receivables, accounts payable, accrued expenses, and escrow accounts.

NOTE 12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 8, 2017, the date the financial statements were available to be issued.