

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**Year Ended June 30, 2018
(With Comparative Totals for 2017)**

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Independent Auditor's Report

To the Board of Directors
Habitat for Humanity-North Central Georgia, Inc.
Roswell, Georgia

We have audited the accompanying financial statements of Habitat for Humanity-North Central Georgia, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity-North Central Georgia, Inc. as of June 30, 2018, and the change 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.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity-North Central Georgia, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2017. 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.

Alpharetta, Georgia
September 20, 2018

Liabilities and Net Assets

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Current portion of notes payable, net	\$ 148,230	\$ 131,355
Line of credit	390,000	490,000
Accounts payable	87,947	106,044
Accrued expenses	2,173	-
Other payables	36,000	36,000
Homeowner deposits	13,125	18,750
Homeowner escrows	332,360	304,095
Unearned revenue	22,823	25,298
Deferred revenue	24,560	6,067
	<u>1,057,218</u>	<u>1,117,609</u>
Long-Term Debt		
Notes payable, less current portion	<u>1,902,575</u>	<u>1,977,327</u>
Net Assets		
Unrestricted	6,213,260	5,682,200
Temporarily restricted	<u>511,482</u>	<u>718,659</u>
	<u>6,724,742</u>	<u>6,400,859</u>

Liabilities and Net Assets

\$ 9,684,535

\$ 9,495,795

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF ACTIVITIES

**Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
Revenues, Grants, and Other Support				
House sales	\$ 1,578,875	\$ -	\$ 1,578,875	\$ 1,464,698
Imputed interest on new mortgages	(640,117)	-	(640,117)	(692,179)
	938,758	-	938,758	772,519
Contributions	419,021	511,482	930,503	1,157,499
In-kind contributions	102,874	-	102,874	47,486
Grant revenue	201,615	-	201,615	303,261
Mortgage discount amortization	580,288	-	580,288	576,014
ReStore, net	8,608	-	8,608	10,299
Special events, net	45,024	-	45,024	(371)
Property sales	309,073	-	309,073	130,660
Interest income	138	-	138	144
Settlement income	441,569	-	441,569	-
Other revenue	82,250	-	82,250	58,338
Gain on sale of vehicle	-	-	-	12,157
Net assets released from restrictions	718,659	(718,659)	-	-
Total revenues, grants, and other support	<u>3,847,877</u>	<u>(207,177)</u>	<u>3,640,700</u>	<u>3,068,006</u>
Expenses and Losses				
Program services	2,789,260	-	2,789,260	2,483,270
Management and general	418,144	-	418,144	403,173
Fundraising	109,413	-	109,413	211,487
Total expenses and losses	<u>3,316,817</u>	<u>-</u>	<u>3,316,817</u>	<u>3,097,930</u>
Change in Net Assets	531,060	(207,177)	323,883	(29,924)
Net Assets, Beginning of Year	<u>5,682,200</u>	<u>718,659</u>	<u>6,400,859</u>	<u>6,430,783</u>
Net Assets, End of Year	<u>\$ 6,213,260</u>	<u>\$ 511,482</u>	<u>\$ 6,724,742</u>	<u>\$ 6,400,859</u>

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

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	2018			2017	
	Program Services	Management & General	Fundraising	Total	
Salaries and related expenses	\$ 577,995	\$ 70,006	\$ 79,665	\$ 727,666	\$ 831,282
Payroll taxes and benefits	67,303	18,314	6,227	91,844	104,660
Cost of houses sold	1,642,998	-	-	1,642,998	1,414,041
Property expenses	24,915	-	-	24,915	40,714
Bad debt expense	14,011	-	-	14,011	27,321
Occupancy	-	27,501	-	27,501	28,701
Professional fees	170	30,939	-	31,109	27,609
Insurance	156,544	20,221	-	176,765	140,458
Dues and memberships	-	26,700	-	26,700	29,250
Automobile expense	24,765	-	-	24,765	18,438
Office supplies and expense	1,396	47,428	7,422	56,246	60,894
Telephone	5,947	9,451	1,000	16,398	14,280
Postage and delivery	101	1,600	759	2,460	2,636
Training	1,738	-	180	1,918	4,179
Repairs and maintenance	-	10	-	10	140
Retirement plan fees	-	2,243	-	2,243	2,251
Homeowner and volunteer	16,436	-	1,974	18,410	16,190
Printing and publications	58	577	8,134	8,769	13,916
Small tools	6,235	-	-	6,235	4,346
Travel, meals and entertainment	9,394	1,133	2,247	12,774	12,998
Loan fees	-	1,000	-	1,000	600
Interest	-	126,020	-	126,020	120,134
Community investment repairs	155,403	-	-	155,403	106,810
Contribution - Habitat Int'l	4,908	-	-	4,908	5,755
Depreciation	-	29,920	-	29,920	21,701
Miscellaneous	78,943	5,081	1,805	85,829	48,626
	<u>\$2,789,260</u>	<u>\$ 418,144</u>	<u>\$ 109,413</u>	<u>\$3,316,817</u>	<u>\$3,097,930</u>

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

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF CASH FLOWS

**Year Ended June 30, 2018
(With Comparative Totals for 2017)**

	2018	2017
Cash Flow from Operating Activities		
Change in net assets	\$ 323,883	\$ (29,924)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	29,920	21,701
Gain on sale of vehicle	-	(12,157)
(Increase) Decrease in:		
Contributions receivable	74,419	(8,719)
Grants receivable	(81,490)	138,031
Mortgages receivable	(116,385)	(225,077)
Due from related party	119,464	(3,993)
Settlement receivable	(462,500)	-
Other receivables	37,461	(27,979)
Prepaid expenses	(13,469)	8,601
Construction in progress	55,322	106,324
Land held for development	139,653	(91,408)
Increase (Decrease) in:		
Accounts payable	(18,097)	44,483
Accrued expenses	2,173	(14,506)
Other payables	-	36,000
Homeowner deposits	(5,625)	7,500
Homeowner escrows	28,265	50,470
Unearned revenue	(2,475)	406
Deferred revenue	18,493	(39,982)
Net cash provided by (used in) operating activities	129,012	(40,229)
Cash Flow from Investing Activities		
Gross proceeds from sale of building tool	-	13,340
Purchase of property and equipment	-	(29,575)
Net cash used in investing activities	-	(16,235)
Cash Flow from Financing Activities		
Net proceeds from (payments on) line of credit	(100,000)	290,000
Net payments on notes payable	(101,517)	(93,268)
Principal payments on capital lease	-	(1,963)
Net cash provided by (used in) financing activities	(201,517)	194,769

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

	<u>2018</u>	<u>2017</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(72,505)	138,305
Cash and Cash Equivalents at Beginning of Year	<u>501,316</u>	<u>363,011</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 428,811</u></u>	<u><u>\$ 501,316</u></u>

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HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity-North Central Georgia, Inc. (Habitat) is presented to assist in understanding Habitat's financial statements. The financial statements and notes are representations of Habitat's management, who is responsible for their integrity and objectivity.

1. Nature of Organization

Habitat is a non-profit, tax-exempt, non-denominational Christian housing ministry that works in partnership with community sponsors and volunteers to build decent, affordable homes for, and with, responsible low-income families selected by Habitat. Habitat also repairs homes of non-Habitat, low income homeowners through a home repair program targeted primarily at veterans and senior citizens on fixed incomes. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Like other such affiliates, Habitat is an independent, locally run organization that is responsible for its own funding, family selection and education, land acquisition and development, and home construction. Although Habitat International assists Habitat with information resources, training, publications, flow-through contributions, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat, in its current form, took shape in January 2006 when the affiliates in North Fulton, Cherokee, Forsyth, and Dawson counties merged. Habitat's homeownership program is open to all people, regardless of race, religion, color, or creed.

2. Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its ASC 958, Financial Statements of Not-for-Profit Entities. Under FASB ASC 958, Habitat is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted

Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted

Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of Habitat pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted

Net assets subject to donor-imposed restrictions that they be maintained permanently by Habitat.

There were no permanent restricted assets held during the period presented; and accordingly, these financial statements do not reflect any activity related to this class of net assets for the year ended June 30, 2018.

3. Cash and Cash Equivalents

Habitat considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. **Receivables**

Management closely monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible. At June 30, 2018, Habitat considered all remaining receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts. Bad debt expense was \$14,011 for the year ended June 30, 2018.

5. **Construction in Progress**

Construction in progress represents houses that are currently under construction for families. Purchased materials and land for the construction of these houses are recorded at cost. Donated materials, labor, and land, if applicable, are recorded at their fair market value. Overhead and administration expenses of houses built by Habitat are included in the overall program expenses of Habitat.

6. **Property and Equipment**

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally using the straight-line method.

The estimated useful lives in determining depreciation are:

	<u>Years</u>
Computers and equipment	5
Vehicles	5
Building tools	5 - 7
Furniture and fixtures	7 - 10

Expenditures for property and equipment and for improvements, which extend the original estimated economic life of the asset, exceeding \$2,500, are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. When an asset is sold or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense for the year ended June 30, 2018 was \$29,920.

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.

7. **Functional Allocation of Expenses**

The costs of providing the program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services, based on their nature and purpose.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

8. Contributions

In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. Contributions are recognized when the donor makes an unconditional promise to give to Habitat. Conditions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

9. Income Taxes

Habitat, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal, state, and local income taxes; and accordingly, no provision for income taxes is included in the accompanying financial statements for Habitat.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Habitat and recognize a tax liability (or asset) if Habitat has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and Georgia Department of Revenue. Management has analyzed the tax positions taken by Habitat, and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2015.

10. Use of Estimates

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

11. Donated Services

Many volunteers have made significant contributions of their time to develop and promote the programs of Habitat. The value of these donated services is not included in the accompanying financial statements, as such services do not create or enhance non-financial assets or require specialized skills.

12. Subsequent Events

Subsequent events have been evaluated through September 20, 2018, which is the date the financial statements were available to be issued.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following on June 30, 2018:

Cash	\$ 96,451
Restricted cash	<u>332,360</u>
	<u>\$ 428,811</u>

The restricted cash represents escrow being held by Habitat for homeowner mortgages. Escrow payments are incorporated as a part of homeowner regular monthly mortgage payments, and Habitat, as an escrow agent, is responsible for timely paying insurance, real property taxes, and applicable homeowner association dues from the escrow funds for all homeowners.

Habitat maintains a separate bank account for grant funds received from the SHOP programs as required by the grants.

NOTE C – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

Habitat's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents.

Habitat maintains its cash deposits with a highly rated financial institution. At times, such deposits may be in excess of federally insured limits. At June 30, 2018, Habitat maintained uninsured cash deposits of \$218,296. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

NOTE D – MORTGAGES RECEIVABLE

Habitat holds mortgages on two hundred and thirteen houses as of June 30, 2018. No interest is charged to the homeowners by Habitat. Although for accounting purposes, an interest rate is imputed, and the mortgages are discounted with discounts being amortized over the life of the loans. Mortgage discount rates used vary from 7.30% to 9.00%, according to guidance provided by Habitat International. Management believes all mortgage receivables are recoverable; therefore, no allowance for doubtful accounts has been provided at June 30, 2018. All of the mortgages receivable of Habitat serves as collateral for the line of credit and term loan payable to Synovus.

The mortgages receivable and unamortized discount at June 30, 2018 are as follows:

Total mortgages receivable before unamortized discount	\$ 16,326,058
Less unamortized discount	<u>(8,606,492)</u>
	<u>\$ 7,719,566</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D – MORTGAGES RECEIVABLE, continued

These mortgages at their discounted values will be received as follows:

Year Ended	
<u>June 30,</u>	
2019	\$ 202,824
2020	219,014
2021	233,749
2022	244,448
2023	247,908
Thereafter	<u>6,571,623</u>
	<u>\$ 7,719,566</u>
Long-term portion	\$ 7,516,742
Current portion	<u>202,824</u>
	<u>\$ 7,719,566</u>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment, as of June 30, 2018, is summarized as follows:

Vehicles	\$ 127,462
Building tools	<u>48,873</u>
	176,335
Less accumulated depreciation	<u>(70,430)</u>
	<u>\$ 105,905</u>

NOTE F – LINE OF CREDIT

Habitat has an open-end line of credit agreement with Synovus, which provides for borrowings up to \$500,000, expiring November 2018. Borrowings under the agreement bear interest at the lender's prime rate plus .5%. The interest rate on the line of credit at June 30, 2018 was 5.5%. Balances outstanding are secured by substantially all assets of Habitat. Borrowings under the line of credit are subject to certain restrictive covenants, and at June 30, 2018, Habitat is in compliance with all covenants. As of June 30, 2018, there was a \$390,000 balance on the line of credit.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – LONG-TERM DEBT

Non-revolving term loan payable to Synovus, maturing November 2020, principal and interest monthly with a fixed rate of 5%. The monthly payment is \$13,969 with a balloon payment at maturity. Balances outstanding are secured by substantially all assets of Habitat. Under the terms of the loan, Habitat is obligated to comply with certain restrictive covenants, and at June 30, 2018, Habitat is in compliance with all covenants.	\$ 1,845,806
Note payable to Wells Fargo Vendor Financial Services, LLC, maturing December 2020, due in monthly installments of \$402, bearing no interest. The note is secured by the underlying equipment.	12,061
Note payable to CIT Bank, N.A., maturing December 2020, principal and interest monthly with a fixed rate .03%. The monthly payment is \$1,071, and the note is secured by the underlying vehicle.	32,424
Note payable to Habitat International, maturing June 2019, due in monthly installments of \$468 with a final payment of \$504, bearing no interest.	5,652
Note payable to Habitat International, maturing June 2019, due in monthly installments of \$234 with a final payment of \$252, bearing no interest.	2,826
Note payable to Habitat International, maturing December 2018, due in monthly installments of \$154 with a final payment of \$162, bearing no interest.	932
Note payable to Habitat International, maturing December 2019, due in monthly installments of \$231 with a final payment of \$243, bearing no interest.	4,170
Note payable to Habitat International, maturing June 2019, due in monthly installments of \$188 with a final payment of \$217, bearing no interest.	2,285
Note payable to Habitat International, maturing June 2019, due in monthly installments of \$26 with a final payment of \$70, bearing no interest.	356

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – LONG-TERM DEBT, continued

Note payable to Habitat International, maturing June 2019, due in monthly installments of \$156 with a final payment of \$168, bearing no interest.	1,884
Note payable to Habitat International, maturing June 2019, due in monthly installments of \$156 with a final payment of \$168, bearing no interest.	1,884
Note payable to Habitat International, maturing December 2018, due in monthly installments of \$154 with a final payment of \$162, bearing no interest.	932
Note payable to Habitat International, maturing December 2019, due in monthly installments of \$308 with a final payment of \$324, bearing no interest.	5,560
Note payable to Habitat International, maturing December 2018, due in monthly installments of \$77 with a final payment of \$81, bearing no interest.	466
Note payable to Habitat International, maturing December 2019, due in monthly installments of \$154 with a final payment of \$162, bearing no interest.	2,780
Note payable to Habitat International, maturing December 2019, due in monthly installments of \$231 with a final payment of \$243, bearing no interest.	4,170
Note payable to Habitat International, maturing December 2021, due in monthly installments of \$130 with a final payment of \$140, bearing no interest.	5,470
Note payable to Habitat International, maturing June 2020, due in monthly installments of \$524 with a final payment of \$528, bearing no interest.	12,580
Note payable to Habitat International, maturing June 2020, due in monthly installments of \$74 with a final payment of \$116, bearing no interest.	1,818

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – LONG-TERM DEBT, continued

Note payable to Habitat International, maturing June 2019, due in monthly installments of \$57 with a final payment of \$66, bearing no interest.	693
Note payable to Habitat International, maturing December 2018, due in monthly installments of \$308 with a final payment of \$324, bearing no interest.	1,864
Note payable to Habitat International, maturing December 2020, due in monthly installments of \$15 with a final payment of \$42, bearing no interest.	477
Note payable to Habitat International, maturing December 2020, due in monthly installments of \$149 with a final payment of \$185, bearing no interest.	4,505
Note payable to Habitat International, maturing December 2022, due in monthly installments of \$319 with a final payment of \$336, bearing no interest.	15,329
Note payable to Habitat International, maturing December 2021, due in monthly installments of \$833 with a final payment of \$849, bearing no interest.	35,002
Note payable to Habitat International, maturing June 2023, due in monthly installments of \$718 with a final payment of \$739, bearing no interest.	34,485
Note payable to Habitat International, maturing December 2023, due in monthly installments of \$390 with a final payment of \$420, bearing no interest.	18,750
Note payable to Habitat International, maturing December 2023, due in monthly installments of \$312 with a final payment of \$316, bearing no interest.	15,000
Note payable to Habitat International, maturing June 2024, due in monthly installments of \$78 with a final payment of \$84, bearing no interest.	<u>3,750</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G – LONG-TERM DEBT, continued

Total long-term debt before unamortized discount	<u>2,073,911</u>
Imputed interest has been applied in aggregate to the notes payable to Habitat International at a rate of 3.75% on all notes. The remaining unamortized discount at June 30, 2018:	<u>(23,106)</u>
Total long-term debt	<u><u>\$ 2,050,805</u></u>

Maturities of long-term debt are as follows:

Year Ended	
<u>June 30,</u>	
2019	\$ 148,230
2020	141,695
2021	1,731,243
2022	27,608
2023	19,927
2024	<u>5,208</u>
	2,073,911
Less unamortized discount	<u>(23,106)</u>
Total long-term debt	<u><u>\$ 2,050,805</u></u>
Long-term portion	\$ 1,902,575
Current portion	<u>148,230</u>
	<u><u>\$ 2,050,805</u></u>

NOTE H – OPERATING LEASES

Habitat has entered into a lease agreement for office space at its Lanier location. The monthly rental payment for the Lanier location is \$208. Office space for the North Fulton location is donated with an annual facilities maintenance fee of \$1,200. The fair value of this donated rent is \$25,000 per year. The lease agreements for the Lanier and North Fulton locations expire September 2018. The lease agreements are expected to be renewed, and Habitat will continue to make the monthly rental payment per the lease agreement for the Lanier location. Expenses, included on the statement of functional expenses as occupancy, associated with the leases of office space for Lanier and North Fulton was \$27,501 for the year ended June 30, 2018.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H – OPERATING LEASES, continued

Habitat entered into lease agreements for a postage meter and copier. The monthly rental payment for the postage meter is \$19, and the lease agreement expires April 2022. The monthly rental payment for the copier is \$211, and the lease agreement expires March 2022. The office expense associated with these leases was \$2,760 for the year ended June 30, 2018.

The future minimum lease payments (excluding the donated rent) are as follows:

Year Ended	
<u>June 30,</u>	
2019	\$ 3,386
2020	2,760
2021	2,760
2022	<u>1,879</u>
	<u>\$ 10,785</u>

NOTE I – COMMITMENTS AND CONTINGENCIES

Habitat occasionally receives grants from a federally funded program to purchase building lots. To receive these funds, Habitat is required to sign either a ten or fifteen-year loan payable to the governmental entity issuing the grant. The loan is deemed paid in increments equal to annual installments calculated on a straight-line basis. At the end of the loan period, if the houses built on the land lots purchased with the grant funds continue to be mortgaged by a qualified family without refinancing over the loan period, the loan will be deemed paid in full. At June 30, 2018, \$98,175 of these grant funds, which have been received by Habitat, may have a future commitment. No liability for these loans is recorded at June 30, 2018 since funds have been used as required and no future liability is expected.

NOTE J – EMPLOYEE BENEFIT PLAN

Habitat maintains a 401(k) profit sharing plan and trust, covering all eligible employees credited with 1,000 hours of service annually, on January 1st. Each year, in addition to depositing 401(k) salary deferrals, Habitat may contribute to the plan discretionary profit sharing contributions. Habitat did not make discretionary contributions for the year ended June 30, 2018.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE K – RELATED PARTIES

Habitat for Humanity-North Central Georgia, Inc. is an affiliate of Habitat for Humanity International, Inc. Habitat occasionally receives direct donations from Habitat International, as well as donations from other donors who use Habitat International as a conduit of funds. Habitat contributed \$4,908 to Habitat International in the year ended June 30, 2018. As of June 30, 2018, Habitat had notes payable to Habitat International in the aggregate amount of \$183,620, which are related to federal award grants received by Habitat from Habitat International as the pass-through entity.

During August 2013, Habitat entered into an agreement with Habitat International to transfer rights to own and operate the ReStore facility. Habitat receives thirty-three percent of net revenues of the ReStore operations. During the year ended June 30, 2018, Habitat had revenue of \$8,608 from Habitat International for its percentage of net revenues per the agreement. This agreement was terminated in September 2018 upon payment by Habitat International to Habitat of an amount agreed upon at a mediation conference on May 30, 2018. Refer to Note R.

At June 30, 2018, the Company had advanced \$98,000 to North Georgia Community Housing Development Corporation, Inc. with no set repayment terms.

During the year ended June 30, 2018, Habitat received land, valued at \$39,561, from North Georgia Community Housing Development Corporation, Inc.

During the year ended June 30, 2018, Habitat sold a foreclosed house to one of its employees for the appraised value of the house, which was \$137,000.

NOTE L – IN-KIND CONTRIBUTIONS

Habitat has received donated rent, land, materials, and services. The estimated fair values of these donations are reported in the accompanying financial statements as contributions at the date of receipt. During the year ended June 30, 2018, Habitat recorded \$102,874 of in-kind contributions and related expense categories.

NOTE M – AFFILIATION COMMITMENT

In December 2007, Habitat signed an affiliation agreement with Habitat International to comply with certain covenants, representations, and warranties. Habitat agreed to restrict its operations to a “service area” of a geographic area approved by Habitat International, to restrict fundraising to that service area, to conform to certain design criteria for its houses, to make its financial records available to Habitat International upon request, to cause its officers, directors, agents, and employees to comply with certain core tenets, and to be responsible for funding all of its housing programs.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE M – AFFILIATION COMMITMENT, continued

In addition, Habitat is expected to contribute 10% of its undesignated gifts to Habitat International on a quarterly basis. These funds are used to construct housing in economically depressed countries. For the year ended June 30, 2018, Habitat contributed \$4,908 to Habitat International.

The term of the agreement is for one year and will automatically renew on an annual basis. Habitat International may conduct annual evaluations of Habitat’s operations and may exercise certain remedies including placing Habitat on probation. Habitat may terminate the agreement upon delivering 180-day written notice; however, it must terminate the use of the name “Habitat” or “Humanity” and discontinue use of the group tax exempt status it presently has through Habitat International. If Habitat ceases operations but fails to dissolve its corporate existence, Habitat International will have the right to transfer the assets of Habitat to a nonprofit organization designated by Habitat International.

NOTE N – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following activities at June 30, 2018:

Temporarily Restricted Net Assets:	
House construction	<u><u>\$ 511,482</u></u>

NOTE O – NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the purposes of the following restrictions during the year ended June 30, 2018:

Released to Unrestricted:	
House construction	<u><u>\$ 718,659</u></u>

NOTE P – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year ended June 30, 2018 was as follows:

Interest	<u><u>\$ 126,020</u></u>
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All interest incurred was expensed.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE P – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION, continued

In-kind contributions:

Land	\$	39,561
Rent		25,000
Engineering services		7,500
Facility rental		8,790
Miscellaneous		3,487
Materials		4,015
Legal services		7,021
Repairs		7,500
		<u>102,874</u>
	\$	<u>102,874</u>

Noncash investing and financing transactions:

Sale of property through issuance of mortgage receivable	\$	<u>1,578,875</u>
Vehicle acquired through debt financing	\$	<u>43,640</u>

NOTE Q – SETTLEMENT RESULTING IN RECEIPT OF AWARD

In August 2018, Habitat settled its ReStore lease termination dispute with Habitat for Humanity International, Inc. and Habitat for Humanity ReStore Operations Group, LLC. Under the terms of the settlement, Habitat for Humanity International, Inc. or Habitat for Humanity ReStore Operations Group, LLC must pay Habitat \$462,500, which was received in full in September 2018. The Company recognized settlement income, net of related legal fees, of \$441,569 for the year ended June 30, 2018, which is included in the statement of activities and a settlement receivable of \$462,500 at June 30, 2018, which is included in the statement of financial position.