

HFHB
Controller Report to Board of Directors
September 21, 2017

For the period July 1 thru August 31, 2017

Summary:

- Cash flow is healthy. Our outstanding line of credit has been paid down to \$50,000.
- The ReStore restructuring has been a big success. Revenues are stable and expenses are way down.
- We are improving our purchasing processes and have a better handle on how we are spending money.
- The audit is in process, but the auditor has not scheduled their work yet.
- The Investment portfolio with Landmark Wealth Management is now invested in Funds versus individual stocks and bonds, providing investment stability.
- We have finalized the process to establish a 401K Plan with Employer Services Co. (ESC).

Cash Flow

We expected to draw \$50,000 on our LOC, instead we paid down \$150,000. Cash receipts exceeded estimates by \$10k, while disbursement were \$105k less than expected. Unexpected activity included:

- Receipts:
 - Early mortgage payoffs (\$80k);
 - Receipt of \$108k Valu Home Center funds, of which \$68k is payable to other affiliates; and
 - ReStore receipts in excess of estimates (note: gross sales are not exceeding budget: however cash flow has exceeded CF proforma)
- Disbursements:
 - CIP is \$45k less than estimated;
 - Closing costs for home sales have been deferred; and
 - SOSI fee of \$25k will be made in payments

Other than the beginning balance, no adjustments have been made to the Proforma CF because additional reliable information is not available. In the short term, cash reserves and mortgage / rent and ReStore receipts are expected to meet our cash flow needs, while AHC grant income from pending home sales are expected to provide adequate cash flow into October.

ReStore

Restructuring has been a fiscal success.

Expenses are down 11%, due to:

- Reduced labor costs;
- Significant reduction in “discretionary” spending; and
- Centralized pre-authorization for all purchases.

Year over year gross sales are flat; albeit, South Store receipts increased 20% while North Store receipts decreased 18%. This is attributed to quality of donations at each store, and the North Store has not realized the operational improvements that the South Store has. Operational plans are in place to address improvements at the North Store.

Procurement

We have made meaningful improvements in our purchasing, including:

- Centralized purchase of office supplies,
- Reduced the number of authorized purchasers (credit cards),
- Heightened the awareness of thrift, and
- Improved review and documentation of expenses.

Audit

I provided the auditor with the trial balance, copy of QB and detailed account reconciliation for all material balance sheet accounts on Aug. 11th. Subsequently, the auditor has asked for authorization for bank confirmations and access to payroll (ESC). I am expected the auditor to schedule fieldwork any time now. The auditor is aware that the Board would like the audit and taxes completed timely.

I believe we have adequately addressed prior year audit concerns to the best of our ability – lack of timely response to audit requests and failure to reconcile accounts. It remains to be seen if we are able to provide all the documentation (e.g. cancelled checks, grant & contribution documents, etc.) the auditor might request. It is worth noting that the auditor's PY concerned seemed to be focused on audit process, not internal controls. We may receive internal control audit concerns this year, particularly in regard to safeguarding assets (procurement, fixed assets).

Investments

Our portfolio has been restructured into funds per our intent. Moving forward interest and dividends will be reinvested and cash will be minimal.

Other Matters

We have executed the 401K Plan with ESC. ESC's Plan is with Morgan Stanley. HFHB will pay \$800 to participate in the Plan (budgeted). The Plan utilizes a host of funds as investment vehicles. Employees can choose a fund of their choice. The default fund is current with American Funds but will switch to Vanguard in January. ESC has very recently changed Plan brokers to gain improved services and reduce investment costs to our employees. The Plan does not allow HFHB to match or contribute to EE's 401K; amendments will need to be executed to provide these options.

HFHB
Cash Flow
Pro Forma to Actual

Operating Checking Account	ANNUAL BUDGET	Jul-17	Aug-17	Jul - Aug Actual	Variance
Beginning Balance		5,154	45,642	24,865	19,711
RECEIPTS					
Mortgages and rents		59,062	39,646	90,207	(8,501)
Mortgage Payoffs				54,750	54,750
Sale of 111 Domedian				25,954	25,954
Grant & Rebate income	423,400	117,462	193,462	204,800	(106,124)
Contributions	544,250	99,925	37,425	36,482	(100,868)
House Sponsorships	255,000			108,300	108,300
Fundraising	71,250	-	-	2,500	2,500
ReStore Receipts, net of purchased merch.	769,853	49,225	61,725	141,130	30,180
Investment Income	8,645	720	720		(1,441)
Escrow Deficit - AmeriNat				3,721	3,721
Other				2,083	2,083
Total Cash Receipts		326,394	332,978	669,927	10,554
DISBURSEMENTS					
Non-Expense Outflows					
Construction In Progress		82,928	142,165	179,683	(45,410)
Escrow and reimbursable closing costs		95,000			(95,000)
Sales Tax Payable					-
Renters/Homeowner Insurance				2,210	2,210
Other non-expense outflows				500	500
Total Non-Expense Outflows	-	177,928	142,165	182,393	(137,700)

No payoffs budgeted

budgeted AHC grant funds not recieved

Habitat for Humanity-Buffalo, Inc.

Balance Sheet

As of August 31, 2017

	<u>Aug 31, 17</u>
ASSETS	
Current Assets	
Checking/Savings	234,292
Accounts Receivable	20,977
Other Current Assets	
1100 · Marketable Securities	230,916
1150 · Gift Cards	850
1270 · Prepaid expenses	9,136
1300 · Construction in Progress	1,279,282
1715 · Closing Costs, Refundable	486
Total Other Current Assets	<u>1,520,670</u>
Total Current Assets	<u>1,775,939</u>
Fixed Assets	450,558
Other Assets	
1610 · Mortgage Receivable	3,063,535
1710 · Other Homeowner Receivables	3,611
1720 · Escrow-AmeriNational	6,918
1740 · Escrow Receivable	1,309
1800 · Mortgage Costs	5,908
Total Other Assets	<u>3,081,281</u>
TOTAL ASSETS	<u><u>5,307,777</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	100,380
Credit Cards	2,967
Other Current Liabilities	145,167
Total Current Liabilities	<u>248,513</u>
Long Term Liabilities	<u>260,945</u>
Total Liabilities	<u>509,458</u>
Equity	<u>4,798,320</u>
TOTAL LIABILITIES & EQUITY	<u><u>5,307,777</u></u>

Habitat for Humanity-Buffalo, Inc.

Profit & Loss

July through August 2017

	<u>Jul - Aug 17</u>
Income	
4000S · Grants	165,289
4300S · Fundraising Activities	140,803
4200S · House Sponsorships	46,265
4100S · Contributions	37,570
4900S · Other	28,380
4550S · Other Program Income	22
Total Income	<u>418,328</u>
Cost of Goods Sold	<u>2,720</u>
Gross Profit	<u>415,608</u>
Expense	
6000S · Salary & Wages	95,049
7600S · Professional Fees	40,556
6100S · Payroll Taxes & Benefits	32,434
6200S · Facilities	20,824
7200S · Depreciation	7,549
6300S · Vehicle Expense	5,340
7800S · Interest Expense	3,816
7400S · Dues, Subscriptions & Publns.	3,460
7000S · Supplies/Equipment	2,972
6700S · Fundraising Expense	2,851
5000S · Direct Construction Costs	2,747
7300S · Travel & Seminars	1,478
8000S · Other Expenses	950
6800S · Volunteer Appreciation	826
7500S · Postage	355
6600S · Advertising & Marketing	300
Total Expense	<u>221,506</u>
Net Income	<u><u>194,102</u></u>

Habitat for Humanity-Buffalo, Inc.
Profit & Loss Budget vs. Actual
 July through August 2017

09/06/2017
 Accrual Basis

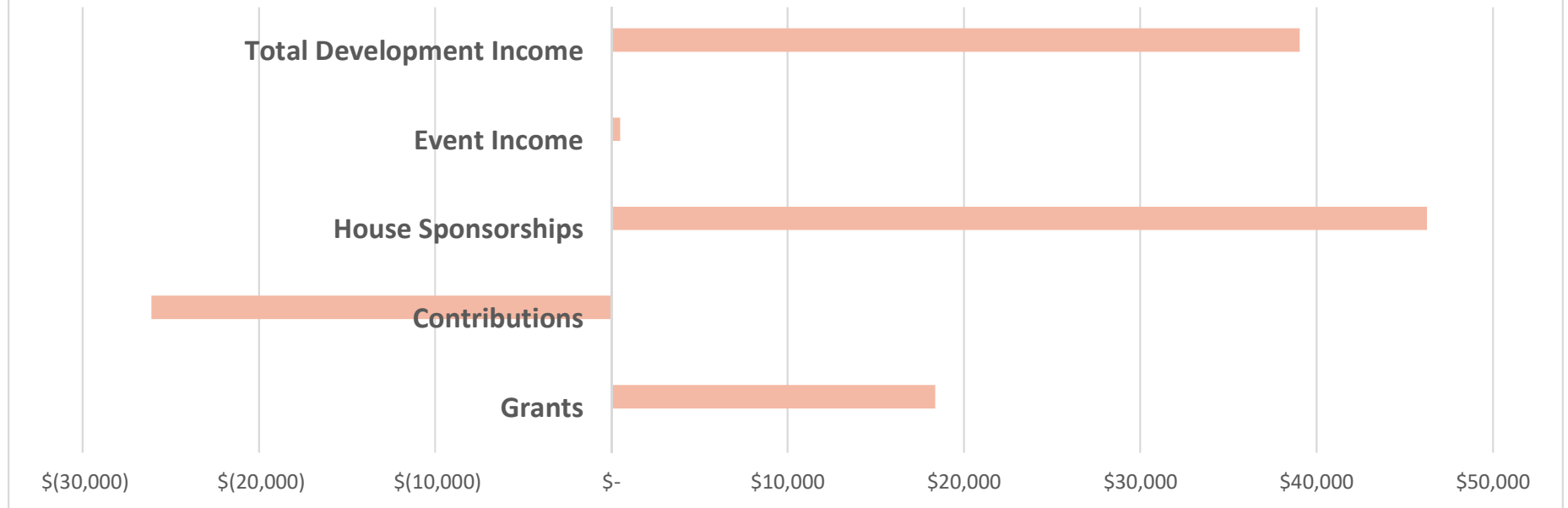
		TOTAL		
	Jul - Aug 17	Budget	\$ Over Budget	% of Budget
Income				
4000S · Grants	170,289	391,924	(221,635)	43%
4300S · Fundraising Activities	140,796	112,500	28,296	125%
4200S · House Sponsorships	46,265		46,265	100%
4100S · Contributions	37,550	63,184	(25,634)	59%
4900S · Other	28,369	1,442	26,927	1,967%
4550S · Other Program Income	25		25	100%
4500S · Home Sales		932,704	(932,704)	
Total Income	423,294	1,501,754	(1,078,460)	28%
Cost of Goods Sold	2,720	(1,359)	4,079	(200%)
Gross Profit	420,574	1,503,113	(1,082,539)	28%
Expense				
6000S · Salary & Wages	95,048	105,203	(10,155)	90%
7600S · Professional Fees	35,532	93,726	(58,194)	38%
6100S · Payroll Taxes & Benefits	32,434	39,990	(7,556)	81%
6200S · Facilities	20,058	19,810	248	101%
7200S · Depreciation	7,548	8,788	(1,240)	86%
6300S · Vehicle Expense	5,339	6,936	(1,597)	77%
7800S · Interest Expense	4,087	5,372	(1,285)	76%
7400S · Dues, Subscriptions & Publins.	3,459	4,268	(809)	81%
7000S · Supplies/Equipment	2,973	4,092	(1,119)	73%
5000S · Direct Construction Costs	2,897	6,000	(3,103)	48%
6700S · Fundraising Expense	2,813	6,000	(3,187)	47%
7300S · Travel & Seminars	1,477	1,084	393	136%
8000S · Other Expenses	936	438	498	214%
6800S · Volunteer Appreciation	713	1,786	(1,073)	40%
7500S · Postage	356	500	(144)	71%
6600S · Advertising & Marketing	300	2,069	(1,769)	15%
5300S · Discount on Mortgages Issued				
6900S · Tithes				
Total Expense	215,970	306,062	(90,092)	71%
Net Income	204,604	1,197,051	(992,447)	17%

Habitat for Humanity-Buffalo, Inc.
Profit & Loss Prev Year Comparison
 July through August 2017

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 09/06/2017
 Accrual Basis

	Jul - Aug 17	Jul - Aug 16	\$ Change	% Change
Income				
4000S · Grants	170,289		170,289	100%
4300S · Fundraising Activities	140,796	135,826	4,970	4%
4200S · House Sponsorships	46,265		46,265	100%
4100S · Contributions	37,550	109,917	-72,367	-66%
4900S · Other	28,369	1,555	26,814	1,724%
4550S · Other Program Income	25		25	100%
Total Income	423,294	247,298	175,996	71%
Cost of Goods Sold	2,720		2,720	100%
Gross Profit	420,574	247,298	173,276	70%
Expense				
6000S · Salary & Wages	95,049	114,033	-18,984	-17%
7600S · Professional Fees	35,531	18,249	17,282	95%
6100S · Payroll Taxes & Benefits	32,434	27,058	5,376	20%
6200S · Facilities	20,059	45,122	-25,063	-56%
7200S · Depreciation	7,549	7,026	523	7%
6300S · Vehicle Expense	5,339	5,850	-511	-9%
7800S · Interest Expense	4,087	3,333	754	23%
7400S · Dues, Subscriptions & Publns.	3,460	25,085	-21,625	-86%
7000S · Supplies/Equipment	2,972	14,942	-11,970	-80%
5000S · Direct Construction Costs	2,897	176	2,721	1,546%
6700S · Fundraising Expense	2,813	7,863	-5,050	-64%
7300S · Travel & Seminars	1,478		1,478	100%
8000S · Other Expenses	935	11,018	-10,083	-92%
6800S · Volunteer Appreciation	714	5,598	-4,884	-87%
7500S · Postage	355	513	-158	-31%
6600S · Advertising & Marketing	300	1,271	-971	-76%
Total Expense	215,972	287,137	-71,165	-25%
Net Income	204,602	-39,839	244,441	614%

**Development Income
July - August 2017
Over (Under) Budget**



ReStore Gross Sales

