

HABITAT FOR HUMANITY BUFFALO, INC.

**Financial Statements
as of June 30, 2019
Together with
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

January 31, 2020

To the Board of Directors of
Habitat for Humanity Buffalo, Inc.:

We have audited the accompanying financial statements of Habitat for Humanity Buffalo, Inc. (a New York non-profit corporation), which comprise the balance sheet as of June 30, 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Buffalo, Inc. as of June 30, 2019, 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 Habitat for Humanity Buffalo, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RDG+Partners CPAs PLLC

Pittsford, New York

HABITAT FOR HUMANITY BUFFALO, INC.

BALANCE SHEET

JUNE 30, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 472,723	\$ 705,139
Grants receivable	107,300	143,197
Current portion of mortgages receivable	183,217	174,860
Other receivables	59,127	43,286
Prepaid expenses	<u>52,483</u>	<u>63,706</u>
Total current assets	<u>874,850</u>	<u>1,130,188</u>
PROPERTY AND EQUIPMENT, net	<u>442,956</u>	<u>447,987</u>
INVESTMENTS	<u>260,499</u>	<u>248,248</u>
OTHER ASSETS:		
Mortgages receivable, net of current portion	3,169,621	3,085,241
Homes available for sale, net	1,353,513	724,123
Construction in progress	<u>617,802</u>	<u>460,989</u>
Total other assets	<u>5,140,936</u>	<u>4,270,353</u>
	<u>\$ 6,719,241</u>	<u>\$ 6,096,776</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 20,668	\$ 19,829
Line-of-credit	70,000	-
Accounts payable and accrued expenses	252,784	127,089
Other current liabilities	<u>29,099</u>	<u>44,443</u>
Total current liabilities	372,551	191,361
LONG-TERM DEBT, net of current portion	<u>200,222</u>	<u>219,864</u>
Total liabilities	<u>572,773</u>	<u>411,225</u>
NET ASSETS:		
Without donor restriction	5,967,207	5,632,476
With donor restriction	<u>179,261</u>	<u>53,075</u>
Total net assets	<u>6,146,468</u>	<u>5,685,551</u>
	<u>\$ 6,719,241</u>	<u>\$ 6,096,776</u>

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

HABITAT FOR HUMANITY BUFFALO, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2019 (With Comparative Totals for 2018)

	2019			2018
	Without Donor Restriction	With Donor Restriction	Total	
SUPPORT:				
Fundraising, donations and sponsorships	\$ 753,332	\$ 240,000	\$ 993,332	\$ 860,514
Grant income	382,580	69,000	451,580	552,949
Contributed homes and properties	123,293	-	123,293	144,400
Contributed materials and services	79,787	-	79,787	134,195
Net assets released from restriction	182,814	(182,814)	-	-
Total support	1,521,806	126,186	1,647,992	1,692,058
REVENUES:				
Sale of homes	811,245	-	811,245	1,112,375
Mortgage discount amortization	300,669	-	300,669	400,761
ReStore income	774,028	-	774,028	847,778
Investment income	15,282	-	15,282	12,862
Miscellaneous income	16,755	-	16,755	17,369
Total revenues	1,917,979	-	1,917,979	2,391,145
Total increases	3,439,785	126,186	3,565,971	4,083,203
EXPENSES:				
Cost of homes sold	830,944	-	830,944	936,230
Discount on mortgages receivable	527,365	-	527,365	619,371
Change in discount on homes available for sale	77,104	-	77,104	14,576
Program services:				
ReStore	602,726	-	602,726	511,864
Construction overhead and other	634,941	-	634,941	573,896
General and administrative	267,150	-	267,150	271,053
Fundraising	164,824	-	164,824	187,293
Total decreases	3,105,054	-	3,105,054	3,114,283
CHANGE IN NET ASSETS	334,731	126,186	460,917	968,920
NET ASSETS - beginning of year	5,632,476	53,075	5,685,551	4,716,631
NET ASSETS - end of year	\$ 5,967,207	\$ 179,261	\$ 6,146,468	\$ 5,685,551

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

HABITAT FOR HUMANITY BUFFALO, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

(With Comparative Totals for 2018)

	2019							
	<u>Program</u>							
	<u>Construction</u>							
	<u>ReStore</u>	<u>Overhead and Other</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>2018</u>	
Salaries	\$ 317,869	\$ 313,507	\$ 631,376	\$ 124,329	\$ 83,222	\$ 838,927	\$ 722,254	
Employee benefits	68,806	66,028	134,834	21,681	22,666	179,181	128,085	
Occupancy	69,444	6,316	75,760	7,603	-	83,363	67,510	
Payroll taxes	26,555	25,483	52,038	8,368	8,748	69,154	54,726	
Insurance	16,687	36,470	53,157	9,105	2,292	64,554	47,518	
Habitat International - tithe and fees	-	25,000	25,000	37,572	-	62,572	72,831	
Professional fees	19,944	16,675	36,619	15,707	2,010	54,336	171,061	
Home repairs	-	54,331	54,331	-	-	54,331	25,925	
Depreciation	26,705	11,569	38,274	6,426	1,969	46,669	45,899	
Auto	18,478	19,166	37,644	70	64	37,778	25,648	
Small tools and supplies	5,956	19,215	25,171	9,388	1,238	35,797	15,628	
Telephone and internet	6,054	11,517	17,571	5,969	4,245	27,785	20,158	
Training and education	1,085	4,283	5,368	7,939	5,241	18,548	8,041	
Fundraising events	-	-	-	-	17,580	17,580	55,851	
Mortgage outsourcing fees	-	13,395	13,395	-	-	13,395	6,185	
Promotion and public relations	546	1,030	1,576	2,707	8,588	12,871	5,085	
Bank charges	9,019	7	9,026	1,539	1,775	12,340	16,565	
Interest	9,324	-	9,324	2,262	-	11,586	13,205	
Dues and subscriptions	334	3,756	4,090	3,388	2,552	10,030	10,304	
Volunteer coordination	446	1,021	1,467	421	2,634	4,522	6,605	
Purchased materials for resale	4,429	-	4,429	-	-	4,429	8,607	
Bad debt expense	-	-	-	2,657	-	2,657	216	
Miscellaneous	1,045	6,172	7,217	19	-	7,236	16,199	
	<u>\$ 602,726</u>	<u>\$ 634,941</u>	<u>\$ 1,237,667</u>	<u>\$ 267,150</u>	<u>\$ 164,824</u>	<u>\$ 1,669,641</u>	<u>\$ 1,544,106</u>	

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

HABITAT FOR HUMANITY BUFFALO, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 460,917	\$ 968,920
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	46,669	45,899
Amortization of closing costs	999	999
Discount on mortgages receivable	527,365	619,371
Amortization of discount on mortgages receivable	(300,669)	(400,761)
Contributed homes and properties	(123,293)	(144,400)
Contributed materials and services	(79,787)	(134,195)
Change in discount on homes available for sale	77,104	14,576
Change in discount on note payable	702	755
Discount on note receivable	-	1,575
Unrealized loss (gain) on investments	(5,600)	8,031
Bad debt expense	2,657	216
Change in operating assets and liabilities:		
Grants receivable	35,897	42,343
Mortgages receivable	(319,433)	(339,829)
Other receivables	(18,498)	27,801
Prepaid expenses	11,223	(48,445)
Homes available for sale	(503,414)	143,060
Construction in progress	(156,813)	71,317
Accounts payable and accrued expenses	125,695	20,137
Other current liabilities	(15,344)	(5,110)
Net cash flow from operating activities	<u>(233,623)</u>	<u>892,260</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(41,638)	(35,365)
Purchases of investments	(97,317)	(303,664)
Sales of investments	90,666	277,787
Net cash flow from investing activities	<u>(48,289)</u>	<u>(61,242)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings (repayments) on line-of-credit, net	70,000	(200,000)
Repayments of long-term debt	(20,504)	(19,757)
Net cash flow from financing activities	<u>49,496</u>	<u>(219,757)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(232,416)</u>	<u>611,261</u>
CASH AND CASH EQUIVALENTS - beginning of year	<u>705,139</u>	<u>93,878</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 472,723</u>	<u>\$ 705,139</u>

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

HABITAT FOR HUMANITY BUFFALO, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. ORGANIZATION

Habitat for Humanity Buffalo, Inc. (the Organization) is a non-profit corporation formed as an affiliate of Habitat for Humanity International (Habitat International). The Organization is an ecumenical Christian housing organization that works in partnership with people in need to build and renovate decent, affordable housing in Erie County, New York. This is accomplished by working with these people to build or rehabilitate homes and subsequently providing non-interest-bearing mortgages on these residences.

Homeowner families are selected based on their level of need, willingness to work, acceptance of responsibilities and ability to repay their mortgage. The houses are sold to pre-qualified families under mortgage agreements that bear no interest. Homeowners and volunteers build the houses under trained supervision. Families must complete 500 hours of "sweat equity," which includes attending workshops, working at the Organization's ReStore, and educational achievement. Veteran's Build families must complete 300 hours of "sweat equity."

The Organization operates two Restore locations where they sell new and gently used household items. Proceeds from the sale of goods go directly towards building more houses for low income families in Buffalo, New York.

The Organization is financed by private cash donations from individuals, community groups, corporations, charities, foundations, schools, and religious organizations, as well as grants from public entities. They also receive contributions of construction materials, household items, land, homes, and volunteer labor and professional services.

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).

Comparative Information -

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset or functional class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncement Adopted -

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in the accompanying financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Net Asset Classification -

At June 30, 2019 and 2018, the Organization reported net assets as follows:

- Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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.

Construction in Progress -

Construction in progress consists of homes and other real estate owned by the Organization that are either currently under construction or renovation, or soon will be. These homes are valued at the lower of cost or anticipated sales price. No reserve was determined to be necessary on construction in progress at either June 30, 2019 or 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable -

Grants receivable consists of amounts awarded by Federal and New York State agencies to the Organization to assist in subsidizing the cost of homebuilding. Grant revenue is earned by the Organization upon the completion of applicable grant related projects. As of June 30, 2019 and 2018, there was \$107,300 and \$143,197, respectively, of grant revenue earned that had not been received by the Organization as of year-end. Balances that are still outstanding after management has used reasonable collection efforts are written off. The Organization considers the grants fully collectible, therefore no allowance was considered necessary at either June 30, 2019 or 2018.

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 balance sheet date, these homes are either awaiting closing or the current tenants are in a probationary period prior to being eligible for ownership. The discount on homes available for sale was \$147,220 and \$70,116 at June 30, 2019 and 2018, respectively.

Mortgages Receivable -

The Organization discounts its mortgages receivable. In accordance with instructions from Habitat for Humanity International, Inc., the Organization does not charge interest on the mortgages on houses sold to homeowners. By discounting the mortgages receivable, the Organization records the mortgages at the present value of the note payments to be received in the future. Imputed rates of interest that are used in computing the discount depend on the origination date of the mortgage. The imputed interest rate is provided to the Organization by Habitat for Humanity International, Inc. on June 30th of each year, according to an annual average for buildings placed in service during the period. 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 straight-line 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 of respective assets. The assets are depreciated over their estimated useful lives, ranging from five 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.

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 donor 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 donor 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 -

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.

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 as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued) -

- 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.

Income Taxes -

The Organization is organized as a New York nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under IRC Section 509(a)(2). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Presentation of Sales Tax -

The State of New York, as well as certain counties located in New York State, imposes a sales tax on specific ReStore sales that the Organization has to non-exempt customers. The Organization collects that sales tax from ReStore customers and remits the entire amount to New York State. The Organization's accounting policy is to exclude the tax collected and remitted to New York State from ReStore revenues and expenses.

Functional Allocation of Expenses -

The costs of program, fundraising and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates of time and effort, square footage used, or other reasonable basis for allocation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Events Occurring After Reporting Date -

The Organization has evaluated events and transactions that occurred between June 30, 2019 and January 30, 2020, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Reclassifications -

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

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30, 2019:

Financial assets:

Cash and cash equivalents	\$ 472,723
Grants receivable	107,300
Current portion of mortgage receivables	455,620
Other receivables	59,127
Investments	<u>260,499</u>
	<u>1,355,269</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	179,261
Add: net assets with restrictions to be met in less than a year	<u>(179,261)</u>

-

Financial assets available to meet general expenditures
over the next 12 months

\$ 1,355,269

In addition to the financial assets above, the Organization has a \$750,000 line-of-credit available to meet cash flow needs. The outstanding balance at June 30, 2019 was \$70,000 under the terms of the line-of-credit agreement (Note 7). There was no outstanding balance as of June 30, 2018.

4. MORTGAGES RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Mortgages receivable	\$ 8,453,912	\$ 8,134,482
Discounts on non-interest-bearing notes	<u>(5,101,074)</u>	<u>(4,874,381)</u>
	3,352,838	3,260,101
Less: Current portion	<u>(183,217)</u>	<u>(174,860)</u>
	<u>\$ 3,169,621</u>	<u>\$ 3,085,241</u>

The following are future maturities of mortgages receivable, net of discount, for the years ending June 30:

	<u>Mortgage</u>	<u>Discount</u>	<u>Net</u>
2020.....	\$ 455,620	\$ (272,403)	\$ 183,217
2021.....	441,217	(265,817)	175,400
2022.....	432,991	(260,862)	172,129
2023.....	415,184	(250,133)	165,051
2024.....	407,937	(245,767)	162,170
Thereafter	<u>6,300,963</u>	<u>(3,806,092)</u>	<u>2,494,871</u>
	<u>\$ 8,453,912</u>	<u>\$ (5,101,074)</u>	<u>\$ 3,352,838</u>

5. INVESTMENTS

The following tables set forth by valuation input level within the fair value hierarchy, investments at fair value as of June 30:

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange trade funds	\$ 78,320	\$ -	\$ -	\$ 78,320
Mutual funds	<u>182,179</u>	<u>-</u>	<u>-</u>	<u>182,179</u>
Total	<u>\$ 260,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,499</u>

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 248,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,248</u>

5. INVESTMENTS (Continued)

In accordance with GAAP, the Organization includes the change in net unrealized appreciation or depreciation in the statement of activities and change in net assets. A summary of investment income is as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 8,286	\$ 7,049
Realized gain on sale of investments	1,396	13,844
Unrealized appreciation (depreciation) in fair value of investments	<u>5,600</u>	<u>(8,031)</u>
Investment income, net	<u>\$ 15,282</u>	<u>\$ 12,862</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 24,366	\$ 24,366
Buildings	437,709	421,150
Vehicles	193,518	204,122
Construction equipment	162,219	162,229
Computers and office equipment	<u>53,050</u>	<u>37,974</u>
	870,862	849,841
Less: Accumulated depreciation	<u>(427,906)</u>	<u>(401,854)</u>
	<u>\$ 442,956</u>	<u>\$ 447,987</u>

7. LINE-OF-CREDIT

The Organization has a line-of-credit agreement with KeyBank. Under the terms of the agreement, the Organization may borrow up to \$750,000. Amounts borrowed bear interest at the prime rate plus 0.50% (6.00% as of June 30, 2019) and are due on demand. The line-of-credit is secured by substantially all present and future assets of the Organization. There was \$70,000 outstanding at June 30, 2019. No amounts were outstanding at June 30, 2018.

8. LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Mortgage payable to a bank requiring monthly payments of \$2,257 including interest at 4.25% through June 2023 with a balloon payment for the remaining principal and interest due on July 1, 2023. The mortgage is secured by the real property at 1675 South Park Avenue, Buffalo, New York.	\$ 203,782	\$ 221,786
Noninterest-bearing note payable requiring annual payments of \$2,500 through November 2029. The note is discounted using an imputed interest rate of 3.0%.	<u>21,185</u>	<u>22,983</u>
	224,967	244,769
Less: Unamortized debt issuance costs	(4,077)	(5,076)
Less: Current portion	<u>(20,668)</u>	<u>(19,829)</u>
	<u>\$ 200,222</u>	<u>\$ 219,864</u>

The carrying value of the noninterest-bearing obligation is shown net of total unamortized discount of \$3,815 and \$4,517 at June 30, 2019 and 2018, respectively.

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

	<u>Amount</u>
2020.....	\$ 20,668
2021.....	21,543
2022.....	22,454
2023.....	23,405
2024.....	125,753
Thereafter	<u>11,144</u>
	<u>\$ 224,967</u>

The Organization paid interest of \$10,865 and \$12,206 related to the above borrowing agreements during the years ended June 30, 2019 and 2018, respectively.

9. RESTRICTIONS ON NET ASSETS

Net assets with donor restriction were available for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Specific home construction	\$ 105,261	\$ -
Critical home repair	69,000	53,075
Other	<u>5,000</u>	<u>-</u>
	<u>\$ 179,261</u>	<u>\$ 53,075</u>

Net assets with donor restriction released from restrictions were as follows during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Specific home construction	\$ 109,739	\$ -
Critical home repair	<u>73,075</u>	<u>25,925</u>
	<u>\$ 182,814</u>	<u>\$ 25,925</u>

The Organization receives home sponsorships from individuals, business and organizations that are specified by the donor to be used towards an individual home in the construction process. Amounts are restricted upon receipt and such amounts are released upon the funds being spent in use for the restriction.

The Critical Home Repair program rehabilitates homes in the surrounding area of Buffalo, NY. Homes that are vacant or foreclosed on are either gifted to or purchased by the Organization and are rehabilitated for use by qualified families. Amounts are restricted upon receipt and such amounts are released upon the funds being spent in use for the restriction.

10. TITHE TO THE HABITAT INTERNATIONAL

The Organization tithes a portion of the non-designated contributions and non-operation income it receives to Habitat International. These funds are used to construct houses in economically depressed areas around the world. The Organization contributed \$37,572 and \$47,831 for the years ended June 30, 2019 and 2018, respectively. These amounts are included in program services expense in the statements of activities and changes in net assets.

11. COMMITMENTS

The Organization entered into a lease agreement with a third party for operating space for one of its ReStore locations. Monthly payments required under the terms of the lease agreement are approximately \$2,600 through September 2020.

The Organization leases solar panels at one of its ReStore locations in an effort to reduce energy costs. The lease agreement requires monthly payments of \$100 through April 2028.

Total rent expense related to the above lease agreements was approximately \$34,000 and \$32,000 for the years ended June 30, 2019 and 2018, respectively.

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

	<u>Amount</u>
2020	\$ 32,868
2021	9,117
2022	1,200
2023	1,200
2024	1,200
Thereafter	<u>4,600</u>
	<u>\$ 50,185</u>

12. DONATED GOODS AND 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 \$203,000 and \$278,000 for the years ended June 30, 2019 and 2018, 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.

13. 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.