

WARREN COUNTY HABITAT FOR HUMANITY

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2019 and 2018**

**WARREN COUNTY HABITAT FOR HUMANITY
AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

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

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, 2019 and 2018 and the related statements of activities and changes in net assets, statement of functional expenses, and statement of cashflows 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 unqualified audit opinion. In our opinion, 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, 2019 and 2018 and the statement of activities and changes in net assets, the statement of functional expenses and the statement of cashflows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Lam & Associates". The signature is written in a cursive style and is positioned above a horizontal line.

February 10, 2020

WARREN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION

As of June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 316,882	\$ 244,625
Promises to give-restricted	5,000	5,000
Mortgage loans receivable, net of unamortized discount-current	57,488	32,387
Inventory	67,229	91,973
Prepaid expenses	4,950	5,461
Homes under construction	457,915	425,489
Other assets	7,615	4,093
	<u>917,079</u>	<u>809,028</u>
Other Assets:		
Property and equipment, net of accumulated depreciation of \$117,872 and \$107,671, respectively	364,336	347,537
Mortgage loans receivable, net of unamortized discount of \$728,208 and \$455,826, respectively	670,178	468,426
	<u>1,034,514</u>	<u>815,963</u>
	<u>1,034,514</u>	<u>815,963</u>
Total Assets	<u>\$ 1,951,593</u>	<u>\$ 1,624,991</u>

See accompanying notes and independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION

As of June 30, 2019 and 2018

LIABILITIES

	<u>2019</u>	<u>2018</u>
Current Liabilities:		
Accounts payable	\$ 32,443	\$ 12,942
Accrued expenses	8,054	6,048
Escrow deposits	9,690	6,224
Sales tax payable	3,941	3,618
Deferred revenue	7,000	-
Unearned revenue on mortgages	298,000	-
	<u>359,128</u>	<u>28,832</u>
Total Current Liabilities		
Long-term Liabilities:		
Long-Term debt	-	-
	<u>359,128</u>	<u>28,832</u>
Total Liabilities		

NET ASSETS

Donor unrestricted	1,320,964	1,361,960
Donor restricted	271,501	234,199
	<u>1,592,465</u>	<u>1,596,159</u>
Total Net Assets		
TOTAL LIABILITIES AND NET ASSETS	\$ 1,951,593	\$ 1,624,991

See accompanying notes and independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2019 and 2018

PUBLIC SUPPORT AND REVENUE

	Donor Unrestricted	Donor Restricted	Total	
			2019	2018
Contributions				
Building materials and services	\$ -	\$ 37,302	\$ 37,302	\$ 30,608
Cash	50,324	-	50,324	52,806
Habitat ReStore merchandise	732,398	-	732,398	637,820
Sale of homes	235,000	-	235,000	213,000
Community center income	59,000	-	59,000	-
Mortgage discount amortization	23,783	-	23,783	15,318
Sales-Habitat ReStore	740,759	-	740,759	638,441
Fundraising events, net of direct cost of sales	45,975	-	45,975	51,181
Rental income	-	-	-	2,200
Interest income	421	-	421	600
Grants	15,127	-	15,127	13,162
TOTAL PUBLIC SUPPORT AND REVENUE	1,902,787	37,302	1,940,089	1,655,136
NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS	-	-	-	-
EXPENSES				
Program:				
Construction	490,815	-	490,815	549,095
Habitat ReStore	1,124,326	-	1,124,326	1,030,446
Mortgage discounts	233,853	-	233,853	-
Supporting services:				
Management and general	51,995	-	51,995	40,354
Fundraising expenses	52,483	-	52,483	38,252
TOTAL EXPENSES	1,953,472	-	1,953,472	1,658,147
REVENUE IN EXCESS OF PUBLIC SUPPORT AND EXPENSES	(50,685)	37,302	(13,383)	(3,011)
CHANGE IN NET ASSETS	(50,685)	37,302	(13,383)	(3,011)
Net assets, beginning	1,361,960	234,199	1,596,159	1,599,170
Construction in progress adjustment	72,000	-	72,000	-
Discounted value adjustment	(62,311)	-	(62,311)	-
NET ASSETS, Ending	\$ 1,320,964	\$ 271,501	\$ 1,592,465	\$ 1,596,159

See accompanying notes and independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Increase (decrease) in Net Assets	\$ (13,382)	\$ (3,011)
Adjustments to reconcile net assets to net cash provided (used) by operating activities		
Depreciation	10,201	10,666
Amortization of discount of zero-interest mortgage receivables	210,070	(15,318)
(Increase) decrease in:		
Inventory	24,743	16,307
Prepaid expenses	511	(61)
Homes under construction	39,574	146,420
Other assets	(3,522)	399
Increase (decrease) in:		
Accounts payable	19,502	5,079
Accrued expenses	2,006	(8,219)
Escrow deposits	3,466	(2,200)
Sales tax payable	323	503
Deferred revenue	7,000	
Unearned revenue on mortgages	298,000	
Net Cash Provided (Used) by Operating Activities	598,492	150,565
Cash Flows from Investing Activities		
Property and equipment purchases	(27,000)	(171)
Issuance of mortgages	(540,000)	(213,000)
Collection of mortgages	40,766	40,704
Net Cash Provided (Used) by Investing Activities	(526,234)	(172,467)
Cash Flows from Financing Activities		
Proceeds from notes payable	-	-
Notes payable repayment	-	-
Net Cash Provided (Used) by Financing Activities	-	-
Net Increase (Decrease) In Cash and Cash Equivalents	72,258	(21,902)
Net Cash and Cash Equivalents, beginning of year	244,625	266,527
Net Cash and Cash Equivalents, end of year	\$ 316,883	\$ 244,625

See accompanying notes and independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

	PROGRAM SERVICES:			SUPPORTING SERVICES:		TOTAL EXPENSES:	
	CONSTRUCTION	HABITAT RESTORE	MORTGAGE DISCOUNTS	MANAGEMENT AND GENERAL	FUNDRAISING	2019	2018
Wages	\$ 135,995	\$ 165,665	-	\$ 20,585	\$ 42,622	\$ 364,867	\$ 301,970
Employment taxes	1,315	34,229	-	385	790	36,719	28,587
Worker compensation insurance	3,069	4,651	-	837	744	9,301	9,245
Insurance	9,405	2,234	-	937	-	12,576	12,472
Health Insurance	20,000	-	-	-	-	20,000	3,333
Discounts on issued mortgages	-	-	233,853	-	-	233,853	0
Hope in the Hills Expense	5,625	-	-	-	-	5,625	4,297
Rent	-	96,000	-	-	-	96,000	104,400
Repairs and maintenance	-	4,291	-	1,942	-	6,233	6,027
Tithe	42,085	-	-	-	-	42,085	23,549
Donation pickup costs	-	6,636	-	-	-	6,636	6,657
Food and lodging	2,014	907	-	32	20	2,973	4,291
Dues & memberships	7,634	-	-	-	-	7,634	7,500
Professional fees	6,048	-	-	12,007	4,769	22,824	12,616
Telephone and fax	-	1,732	-	3,257	-	4,989	4,272
Computer expenses	-	4,025	-	1,080	-	5,105	1,268
Other expenses	7,313	171	-	5,474	422	13,380	56,847
Supplies	-	8,059	-	-	-	8,059	6,182
Postage and freight	352	-	-	284	959	1,595	584
Bank fees	-	10,089	-	30	-	10,119	10,460
Office expenses	-	-	-	2,322	-	2,322	3,130
Advertising	2,933	4,336	-	0	2,157	9,426	5,755
Homes under construction expenses	235,338	-	-	-	-	235,338	356,632
Donation to ReStore	-	757,141	-	-	-	757,141	654,127
Community development	1,165	-	-	-	-	1,165	1,296
Scholarship	-	-	-	-	-	-	1,000
Utilities	323	24,160	-	2,823	-	27,306	20,530
Total expenses before depreciation and interest	480,614	1,124,326	233,853	51,995	52,483	1,943,271	1,647,027
Depreciation and amortization expense	10,201	-	-	-	-	10,201	10,666
Interest expense	-	-	-	-	-	-	454
TOTAL EXPENSES	\$ 490,815	\$ 1,124,326	\$ 233,853	\$ 51,995	\$ 52,483	\$ 1,953,472	\$ 1,658,147

See accompanying notes and independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 1 - NATURE OF ORGANIZATION

Warren County Habitat for Humanity, Inc. the ("Organization") is a Christian nonprofit corporation which 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, community, and hope.

In fulfilling it's 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 programs 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 homeowner's monthly mortgage payments are recycled into a revolving fund that is used to continue the Organization's 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

See independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Organization is required to report information regarding its financial position and activities according to two classes of net assets: unrestricted 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, either by using the donation for the approved purpose or by the passage of time, the contribution amount is released from restriction.

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 amount of assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period.

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 in financial institutions may exceed the FDIC insurance limits. At June 30, 2019 and 2018, the Organization had not exceeded the FDIC limits.

See independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk (continued)

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 of uncollected amounts based on management's judgment and analysis of the creditworthiness of the homeowners, past payment experience, and other relevant factors.

At June 30, 2019, management believes no allowance is necessary since the value of 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 it's fair value (if not held for sale).

See independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets (continued)

Long lived assets only are required to be tested for impairment if events or changes in circumstances indicate the carrying amount of the asset group to which they may not be recoverable. ASC 360-10-35-21 included some examples of these types of events or changes in circumstances include the following: "A significant decrease in the market price of a long-lived asset (asset group); a significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group); a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group), a current expectation that, more than likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life." Habitat continuously monitors external events and as of June 30, 2018 and June 30, 2019 does not recognize any events that would trigger the test for impairment.

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. Transfers to homeowners are recorded when the home is occupied and title has transferred. It is recorded at the gross amount of payments to be received over the lives of the mortgage notes receivable. These mortgage payments do not include interest and accordingly, the mortgages have been discounted at various interest rates based upon prevailing market rates at the inception of the mortgages. Discounts are amortized using the straight-line method over the lives of the mortgages. The discounted value of mortgages at the time of sale is generally less than the home's fair market value. Therefore, management believes that losses resulting from non-payment of mortgages are not reasonably probable, and accordingly, no allowance for mortgage notes receivable has been recorded. Homes are sold to qualified buyers at the amount the purchaser is able to pay. Past due status is based on contractual terms of the mortgage notes receivable.

See independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Homes Under Construction and Held for Sale (continued)

Unearned revenue on mortgage notes receivable represents the discounted value of non-interest bearing second and third mortgage loans issued on Habitat homes. One or more additional mortgages are required to be signed by the homeowner for the difference between the estimated fair market value of the home and the payable mortgage balances as of the transfer date. Certain of these mortgages are fully forgiven if the homeowner lives in the home for a certain period of time and complies with all other covenants and restrictions per the deed of trust. In the event the homeowner does not comply with these restrictions, the mortgage balance will be recognized as income at the time it is collected. Habitat generally does not foresee collection of the non-payable second and third mortgage loans except in the event of sale, refinance, or foreclosure of the home.

Property, Plant, 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 and Office Equipment	3
Equipment	5
Vehicles	5

Contributions

Contributions received with no restrictions specified uses identifies 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 as permanently restricted revenue in the statement of activities when received. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted revenue in the accompanying statement of activities.

See independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

Donated services (in kind donations) are recognized as contributions in accordance with FASB ASC 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, 2019 and 2018 respectively the Organization recognized in kind donations of \$37,302 and \$35,190 respectively, which was capitalized against the homes held for sale.

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 programming 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 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.

See independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 or June 30, 2018. 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, 2019 the Organization's income tax returns for 2016, 2017, and 2018 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 when a formal closing transaction has been finalized. As of June 30, 2019, the Organization held seventeen non-interest bearing mortgage loans.

The mortgage maturities range from 13 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, 2019, the estimated annual repayment amounts on these mortgage receivable balances along with the unamortized discount were as follows:

<u>For The Year Ending June 30,</u>	<u>Amount</u>
2019	\$57,487
2020	57,487
2021	57,487
2022	57,487
2023	57,487
Thereafter	1,053,464
Less: unamortized discounts	(728,208)
Mortgage receivable, Net	<u>\$ 670,178</u>

An accumulated adjustment amount of \$62,311 for unamortized discount was recorded to reflect the actual balance.

See independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 4 - PROPERTY AND EQUIPMENT

Property and Equipment at June 30, 2019 and 2018 consist of the following:

Land, building and improvements	\$437,327	\$437,327
Computer equipment and software	13,632	13,632
Vehicles	31,249	4,249
	<u> </u>	<u> </u>
Less: accumulated depreciation	(117,872)	(107,671)
Property and equipment, net	<u>\$364,336</u>	<u>\$347,537</u>

Depreciation expense was \$10,201 and \$10,666 for the years ended June 30, 2019 and 2018, respectively.

NOTE 5 - SINGLE FAMILY HOMES

Single family homes at June 30, 2019 and 2018 consist of the following:

<u>Single family homes consist of:</u>		
Land	\$114,500	\$105,500
Construction in progress	343,415	319,989
	<u>457,915</u>	<u>425,489</u>
Less allowance for impairment	-	-
Total	<u>\$ 457,915</u>	<u>\$425,489</u>

Potential homewoners 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 \$4,921 and \$2,500 at June 30, 2019 and 2018, respectively.

An accumulated adjustment amount of \$72,000 for construction in progress was recorded to reflect the actual balance.

See independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 6 - 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, 2019 consists of two grants from UPS Foundation Inc and Network for Good. The total amount in Grants as of June 30, 2019 was \$15,127.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Organization entered into a lease for the ReStore on January 2, 2012 for 10,000 square feet. The terms of the current lease run from September 2018 through August 2019 at a rate of \$8,000 per month. The prior lease agreement ran from September 2017 through August 2018 at a rate of \$9,500 per month.

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

For the year ending June 30, 2020	<u>\$96,000</u>
Total	<u><u>\$96,000</u></u>

See independent accountant's report.

WARREN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

NOTE 8 - RESTORE, NET

ReStore revenue and expenses, which is recorded in ReStore, net in the accompanying statement of activities and changes in net assets for the years ended June 30, 2019 and 2018 consist of the following:

Habitat ReStore merchandise	\$732,398	\$637,820
Sales - Habitat ReStore	740,759	638,441
RESTORE SALES REVENUE	<u>1,473,157</u>	<u>1,276,261</u>
EXPENSES		
Wages	165,665	143,178
Employment taxes	34,229	18,184
Worker compensation insurance	4,651	4,622
Insurance	2,234	1,851
Bank fees	10,089	10,430
Rent	96,000	104,400
Repairs and maintenance	4,291	4,384
Donation pick up costs	6,636	6,657
Food and lodging	907	769
Training	13.00	-
Telephone and fax	1,732	2,664
Computer expenses	4,025.00	-
Other expenses	158	53,078
Supplies	8,059	6,182
Advertising	4,336	2,603
Donation to ReStore	757,141	654,127
Utilities	24,160	17,317
Total Expenses	<u>1,124,326</u>	<u>1,030,446</u>
CHANGES IN NET ASSETS, ReStore	<u>\$348,831</u>	<u>\$245,815</u>

NOTE 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 12, 2020, the date the financial statements were available to be issued.

See independent accountant's report.