

HABITAT FOR HUMANITY OF
LAKE-SUMTER, FLORIDA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018



SILBERNAGEL & BURROUGHS, P.A.

ALLAN L. SILBERNAGEL, CPA

CERTIFIED PUBLIC ACCOUNTANTS

GABRIEL P. BURROUGHS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Habitat for Humanity of Lake-Sumter, Florida, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Lake-Sumter, Florida, 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 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 of Lake-Sumter, Florida, Inc. as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Silvana + Burroughs, PA". The signature is written in a cursive, stylized font.

Mount Dora, FL
September 28, 2018

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

| <u>ASSETS</u> | |
|--------------------------------------------------------------|-------------------------|
| Cash | \$ 660,511 |
| Prepaid expenses | 28,112 |
| Escrow advances | 3,575 |
| Restricted cash | 24,741 |
| Investments | 16,062 |
| Mortgage notes receivable, net of discount | 1,266,639 |
| Pledged mortgage notes, net of discount | 1,054,635 |
| Land for future home sites | 1,396,764 |
| Construction in process | 310,387 |
| Land, buildings & equipment, net of accumulated depreciation | 2,296,832 |
| Intangible assets, net of accumulated amortization | 993 |
| Other assets | <u>227,084</u> |
| TOTAL ASSETS | <u>\$ 7,286,335</u> |

| <u>LIABILITIES AND NET ASSETS</u> | |
|--------------------------------------|-------------------------|
| <u>LIABILITIES:</u> | |
| Accounts payable | \$ 27,429 |
| Accrued expenses | 56,663 |
| Payroll liabilities | 54,042 |
| Sales tax liability | 7,903 |
| Line of credit | 131,255 |
| Escrow accounts | 2,451 |
| Notes payable | <u>1,048,847</u> |
| Total Liabilities | 1,328,590 |
| <u>NET ASSETS:</u> | |
| Unrestricted | 5,503,869 |
| Temporarily restricted | <u>453,876</u> |
| Total Net Assets | <u>5,957,745</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 7,286,335</u> |

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

UNRESTRICTED NET ASSETS

Revenues:

| | |
|----------------------------------|--------------|
| Thrift store sales | \$ 1,488,817 |
| Donations | 699,264 |
| Grants | 78,650 |
| In-kind donations | 612,271 |
| Fund-raising projects | 49,081 |
| Interest income | 76 |
| Mortgage discount amortization | 224,908 |
| Home and land sales | 1,599,606 |
| Global Village income | 87,752 |
| Rental income | 9,875 |
| Loss on fixed asset dispositions | (6,819) |
| Recapture of forgivable mortgage | 37,229 |
| Admin fee income | 50,483 |
| Other income | 6,230 |

Total Unrestricted Revenues 4,937,423

Release of restricted net assets 4,880

Total Unrestricted Revenues, Gains, and Other Support 4,942,303

Expenses:

| | |
|----------------------------|-----------|
| Thrift stores | 1,099,716 |
| Housing | 922,159 |
| General and administrative | 378,076 |
| Veterans Initiative | 1,638,947 |
| Global Village | 139,470 |
| Fund development | 207,868 |
| Youth construction | 9,658 |

Total Expenses 4,395,894

INCREASE IN UNRESTRICTED NET ASSETS 546,409

TEMPORARILY RESTRICTED NET ASSETS

| | |
|----------------------------------|---------|
| Donations | 11,879 |
| Release of restricted net assets | (4,880) |

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS 6,999

INCREASE IN NET ASSETS 553,408

NET ASSETS AT BEGINNING OF YEAR 5,404,337

NET ASSETS AT END OF YEAR \$ 5,957,745

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

| | Thrift Stores | Housing | Administrative | Veterans Initiative | Global Village/VM | Fund Development | Youth Construction | Total |
|-----------------------------------|---------------------|-------------------|-------------------|---------------------|-------------------|-------------------|--------------------|---------------------|
| Personnel | \$ 787,146 | \$ 238,024 | \$ 162,782 | \$ 24,460 | \$ 47,316 | \$ 141,309 | \$ - | \$ 1,401,037 |
| Advertising and newsletters | 14,488 | 75 | 1,030 | 15,364 | - | 10,581 | - | 41,538 |
| Collegiate challenge | - | - | - | - | 6,774 | - | - | 6,774 |
| Community preservation | - | 117,318 | - | - | - | - | - | 117,318 |
| Construction goods and services | - | 327,465 | - | 1,471,766 | - | - | - | 1,799,231 |
| Bank and credit card fees | 30,525 | 82 | 1,021 | 82 | 39 | - | - | 31,749 |
| Depreciation and amortization | 71,607 | 4,487 | 14,223 | - | 31,963 | 4,841 | - | 127,121 |
| Development expense | - | - | - | - | - | 96 | - | 96 |
| Donations | - | - | 2,942 | - | - | - | - | 2,942 |
| Dues and subscriptions | 200 | 2,436 | 17,781 | 455 | 130 | 9,428 | - | 30,430 |
| Insurance | 5,083 | 22,723 | 6,322 | 2,420 | 308 | - | - | 36,856 |
| Legal and accounting | - | 3,658 | 21,885 | 115 | - | - | - | 25,658 |
| Loan interest | 9,668 | 2,988 | 29,497 | 22,419 | - | - | - | 64,572 |
| Merchandise and apparel | 2,029 | 285 | 32 | - | 1,060 | 828 | - | 4,234 |
| Minor equipment and tools | 3,873 | 6,169 | 1,481 | 2 | 61 | 515 | 8,335 | 20,436 |
| Office expense | 13,102 | 471 | 1,741 | - | 2,934 | 1,034 | 5 | 19,287 |
| Other expenses | 1,092 | 2,443 | 6,482 | 1,425 | - | 175 | - | 11,617 |
| Printing and postage | 631 | 538 | 1,188 | 287 | - | 9,238 | - | 11,882 |
| Property taxes | 371 | 4,302 | 392 | 5,567 | - | - | - | 10,632 |
| Rent | 120 | 1,106 | 34,052 | - | - | - | 1,318 | 36,596 |
| Repairs and maintenance | (4,516) | 3,134 | - | 31 | 9,787 | 198 | - | 8,634 |
| Service agreements | 16,129 | 50,615 | 29,365 | 3,214 | 12,462 | 7,380 | - | 119,165 |
| Special events | - | 35,945 | 195 | - | - | 8,431 | - | 44,571 |
| Tithe | - | 65 | 14,119 | - | - | 460 | - | 14,644 |
| Title transfer and recording fees | 186 | 20 | 20 | - | - | - | - | 226 |
| Training and conferences | 60 | 141 | 6,346 | 45 | 472 | 3,569 | - | 10,633 |
| Travel and mileage | 2,662 | 91 | 14,729 | - | - | 641 | - | 18,123 |
| Utilities | 108,317 | 7,981 | 4,781 | 2,477 | 22,932 | 5,365 | - | 151,853 |
| Vehicle operation and maintenance | 36,669 | 15,435 | 4,743 | 12 | 1,547 | 2,760 | - | 61,166 |
| Veterans Initiative direct cost | - | - | - | 88,014 | - | - | - | 88,014 |
| Volunteer costs | 274 | 154 | 927 | 792 | 1,685 | 1,019 | - | 4,851 |
| Discount on mortgages issued | - | 74,008 | - | - | - | - | - | 74,008 |
| | <u>\$ 1,099,716</u> | <u>\$ 922,159</u> | <u>\$ 378,076</u> | <u>\$ 1,638,947</u> | <u>\$ 139,470</u> | <u>\$ 207,868</u> | <u>\$ 9,658</u> | <u>\$ 4,395,894</u> |

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|--------------------------------------------------------------------------------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase in net assets | \$ 553,408 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 127,121 |
| Amortization of discounts on loans receivable | (224,908) |
| Loans receivable issued | (249,512) |
| Discounts on loans receivable issued | 74,008 |
| Loss on disposal of assets | 6,819 |
| Recapture of forgivable mortgage | (37,229) |
| Land used in building | 138,322 |
| (Increase) decrease in: | |
| Escrow advances | 11,949 |
| Prepaid expenses | (2,503) |
| Construction in process | 286,296 |
| Land for future home sites | (486,107) |
| Building supplies | 18,785 |
| Other assets | (201,303) |
| Increase (decrease) in: | |
| Accounts payable | (16,179) |
| Accrued expenses | 2,408 |
| Other liabilities | (1,633) |
| Escrow balances | 1,403 |
| Total adjustments | <u>(552,263)</u> |
| Net increase in cash from operating activities | 1,145 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Equipment purchases | (37,110) |
| Vehicle purchases | (20,212) |
| Building and land purchases and improvements | (33,689) |
| Payments received on mortgage notes receivable | 470,951 |
| Net increase in cash from investing activities | <u>379,940</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Loan proceeds | 80,000 |
| Line of credit payments | (160,745) |
| Note payments | (253,937) |
| Net decrease in cash from financing activities | <u>(334,682)</u> |
| NET INCREASE IN CASH | 46,403 |
| CASH AT BEGINNING OF YEAR | <u>638,849</u> |
| CASH AT END OF YEAR | <u><u>\$ 685,252</u></u> |

Non-cash transactions for June 30, 2018 included in-kind construction materials of \$278,766.
Interest paid was \$51,702.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

A. Summary of Significant Accounting Policies

Organization and Purpose – Habitat for Humanity of Lake-Sumter, Florida, Inc. (the Organization), a nonprofit organization, was incorporated on October 13, 1989. The Organization is an affiliate of Habitat for Humanity International, Inc. a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications and prayer support, the Organization is primarily and directly responsible for its own operations. The Organization is a local organization which is supported by individuals, clubs, businesses, churches, and thrift store sales.

The Organization is a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code under a group exemption letter issued to Habitat International and is exempt from federal and state income taxes.

Basis of Presentation – The Organization has adopted FASB Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements of Not-for-Profit Organization*”). FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories per externally (donor) imposed restrictions. A description of the three net asset categories is as follows:

Unrestricted net assets have no donor-imposed restrictions. Restricted net assets received and expended in the same year are classified as unrestricted.

Temporarily restricted net assets have donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

Permanently restricted net assets are required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Fair Values of Financial Instruments – The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments.

Cash and cash equivalents – The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

Mortgage notes receivable – The carrying amount approximates fair value, which is determined by discounting the future cash flows using rates that approximate the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Interest income (amortization of the discount) is recorded using the effective interest method over the lives of the mortgage notes.

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

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventory – The Organization receives donations of building materials that would otherwise have to be purchased to complete house construction. The fair value of these goods is recognized as revenue and inventory when received. They are expensed as construction costs when used.

Investments – Investments consist of stocks donated by individuals. The stocks are marketable securities and are stated at fair value. Contributed investments and land are recorded at their fair value at the date of donations. Sales of investments and associated gains or losses are accounted for using the specific identification method.

Fair Value Measurements – The Organization has adopted FASB ASC 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participant would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1: Inputs to the valuation methodology are unadjusted quotes prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in the active markets; quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

In accordance with FASB ASC 820, the Organization measures cash and cash equivalents and marketable securities at fair value. Realized and unrealized gains and losses on marketable securities are determined by using specific identification.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Fair value for securities that are traded on a national securities exchange is based upon the last reported sales price on the last business day of the year. Fair value for investments traded in the over-the-counter market, and listed securities for which no sale was reported on that date, is based upon average of the last reported bid and ask price.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Land for Future Home Sites – These parcels are held by the Organization to be used for future home building sites. Donated parcels are recorded at appraised valuation. Purchased and foreclosed parcels are recorded at cost. Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. No impairment losses were recorded during 2018.

Construction in Process – All direct material and equipment costs and those indirect costs related to home construction are recorded as construction in process on the statement of financial position. When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the statement of activities as program services.

Property and Equipment – It is the Organization’s policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Property and equipment are recorded at cost if purchased or at their estimated fair value at date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

| | |
|----------------------------------------|---------------|
| Building and Improvements | 10 – 40 years |
| Office Equipment, Furniture & Fixtures | 5 – 7 years |

Warranties – The Organization provides a one-year warranty covering general defects in materials and workmanship on each home sold. Warranty costs are expensed when incurred.

B. Cash Restrictions

Funds received for the Organization’s South Lake Build are donor restricted. As of June 30, 2018, \$24,741 was restricted.

C. Accounts Receivable

Accounts receivable represents amounts due from clients and vendors. Due to the nature of the receivable, prior years’ experience and analysis of the specific receivables, management believes that the amounts are fully collectible; therefore, no allowance for doubtful accounts has been recorded.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

D. Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2018:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------------|----------------|----------------|----------------|
| Domestic Common Stock | \$ 16,062 | - | - |

E. Sales to Homeowners

During the year ending June 30, 2018, there were 11 homes sold to qualifying applicants. Home closings for June 30, 2018 were \$1,599,606, and mortgage discounts relating to these sales were \$74,008 for the year ending June 30, 2018, as some applicants received third party financing.

F. Mortgage Notes Receivable

Mortgage notes receivable consist of noninterest-bearing mortgage notes which are secured by real estate and payable in monthly installments. Most of the mortgage notes have an original maturity of 20 to 30 years and arose in connection with the Organization's homebuilding initiatives in Lake and Sumter Counties of Florida. As the payments are received, the discount is amortized to recognize the imputed interest portion of each payment. The amortization of the discount is shown as mortgage discount amortization revenue on the statement of activities. Amortization included as revenue for the fiscal year amounted to \$224,908. Mortgage notes receivable at June 30, 2018 are presented net of unamortized discount resulting from the imputation of interest, as follows:

| | |
|--------------------------------------------------|--------------|
| Mortgage notes receivable at face value | \$ 4,351,395 |
| Less unamortized discount ranging from 6% to 10% | (2,030,121) |
| | \$ 2,321,274 |

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

These mortgages notes will be received as follows:

| Year Ending June 30, | |
|----------------------|---------------------------|
| 2019 | \$ 348,972 |
| 2020 | 348,972 |
| 2021 | 348,972 |
| 2022 | 348,972 |
| 2023 and thereafter | <u>2,955,507</u> |
| | <u><u>\$4,351,395</u></u> |

The Organization received \$470,951 in total mortgage principal and interest payments during the fiscal year ending June 30, 2018.

G. Pledged Receivables

The Organization pledged the following amounts as collateral for loans as of June 30, 2018:

| | |
|----------------------------------------|----------------------------|
| Flex 2015 mortgage notes at face value | \$ 1,071,368 |
| Flex 2014 mortgage notes at face value | 396,997 |
| Flex 2013 mortgage notes at face value | 693,185 |
| Mortgage notes discount | <u>(1,106,915)</u> |
| | <u><u>\$ 1,054,635</u></u> |

H. Bankruptcy

The Organization has one homeowner in bankruptcy as of June 30, 2018. The current mortgage note balance is valued at \$63,054.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Land, Buildings and Equipment

Land, buildings and equipment are comprised of the following at June 30, 2018:

| | |
|----------------------------------------|---------------------|
| Land, building and improvements | \$ 2,725,308 |
| Office equipment, furniture & fixtures | 154,021 |
| Transportation equipment | <u>324,631</u> |
| | 3,203,960 |
| Less accumulated depreciation | <u>(907,128)</u> |
| | <u>\$ 2,296,832</u> |

J. Line of Credit

Habitat for Humanity of Lake-Sumter, Florida, Inc. has a line of credit balance of \$131,255 with Florida Community Loan Fund, Inc., which expires December 31, 2018.

Interest is payable monthly at 4.25%. Habitat for Humanity of Lake-Sumter, Florida, Inc.'s interest expense for the line of credit was \$9,549 for the year ended June 30, 2018.

K. Notes Payable

The following is a summary of notes payable at June 30, 2018:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 4.75% note payable to Habitat for Humanity International, Inc., \$4,393 monthly installments with a maturity date of June 2025, secured by mortgage notes receivable. | \$ 312,372 |
| 3.80% note payable to Habitat for Humanity International, Inc., \$16,554 quarterly installments with a maturity date of June 2020, secured by mortgage notes receivable. | 126,943 |
| 4.75% note payable to Habitat for Humanity International, Inc. \$7,610 quarterly installments with a maturity date of June 2024 secured by mortgage notes receivable. | 141,309 |

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| 4.75% fixed rate mortgage note secured by real estate. Monthly installments of \$2,079 with a maturity date of May 2024. | 128,062 |
| 5.0% fixed rate mortgage note secured by real estate. Monthly installments of \$636 with a maturity date of September 2032. | 77,267 |
| 4.2% fixed rate truck loan. Monthly installments of \$1,613 with a maturity date of August 2019. | 20,569 |
| 0% fixed rate Veteran's Village loan. Annual installments of \$19,700 with a maturity date of December 2025 and imputed interest of 4.75% | 115,032 |
| 0% fixed rate Veteran's Village loan. Annual installments of \$21,800 with a maturity date of December 2025 and imputed interest of 4.75%. | <u>127,293</u> |
| Total notes payable | <u><u>\$ 1,048,847</u></u> |

Scheduled principal payments are as follows:

| Year ending June 30, | |
|----------------------|----------------------------|
| 2019 | \$ 194,085 |
| 2020 | 184,498 |
| 2021 | 123,982 |
| 2022 | 129,978 |
| 2023 - thereafter | <u>416,304</u> |
| | <u><u>\$ 1,048,847</u></u> |

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

L. Lease

The Organization has a noncancelable operating lease for equipment that expires in 2021. Rental expense for the lease was approximately \$3,980 for the year ended June 30, 2018.

The Organization leases office space under an operating lease expiring in 2019. Rental expense under the lease was \$33,160 for the year ended June 30, 2018.

Future minimum lease payments remaining under these operating leases are as follows:

| <u>Year Ended June 30,</u> | <u>Equipment</u> | <u>Office Space</u> |
|--------------------------------|------------------|---------------------|
| 2019 | 6,823 | 27,570 |
| 2020 | 6,823 | ... |
| 2021 | 6,823 | ... |
| 2022 | <u>3,412</u> | <u>...</u> |
| | <u>\$ 23,881</u> | <u>\$ 27,570</u> |

M. Temporarily Restricted Net Assets

At June 30, 2018, temporarily restricted net assets consisted of \$24,741 restricted cash for South Lake County builds and restricted land of \$429,135. The land may not be disposed of until 2020.

N. In-Kind Contributions

The Organization receives numerous in-kind contributions of materials and supplies used in the construction and furnishings of homes. Supplies and materials contributed during the year ended June 30, 2018 totaled \$278,766.

The Organization receives donations of time and effort from volunteers to construct the homes, operate the thrift stores and serve as family partners. The value of these services is not reflected in the financial statements. Last fiscal year, over 5,531 volunteers contributed their services.

The Organization also receives donations of items which are sold through its four thrift store locations. The value of these items is not reflected in the financial statements.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

O. Related Party Transactions

The Organization remits a portion of its contributions (excluding in-kind contributions) to Habitat International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. The Organization contributed \$27,000 to Habitat International for the year ended June 30, 2018, of which \$14,119 was for title and is reported under administrative expenses.

The Organization contracted with a Board member for legal work in the amount of \$15,779 and as of year-end owed \$804. The Organization contracted with a board member for the use of facilities for Board meetings and special events in the amount of \$9,224.

P. Retirement Plan

The Organization has a Simple IRA retirement plan funded by employees' voluntary contributions. Starting in May 2012, the Organization may contribute up to 3% of employee earnings or contributions, whichever is less. The Organization contributed \$17,773 to the retirement plan for the year ended June 30, 2018.

Q. Other Matters

Deposits at FDIC-insured institutions are insured up to \$250,000 per account. At June 30, 2018, the Organization's uninsured bank balances totaled \$128,492.

R. Subsequent Events

Subsequent events have been evaluated through September 28, 2018 which is the date the financial statements were available to be issued. No material subsequent events were identified for recognition or disclosure.