HABITAT FOR HUMANITY LAKESIDE, INC.

AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity Lakeside, Inc.
Sheboygan, Wisconsin

We have audited the accompanying financial statements of Habitat for Humanity Lakeside, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Lakeside, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Huberty & Associates, S.C.

Fond du Lac, Wisconsin
November 13, 2018

HABITAT FOR HUMANITY LAKESIDE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 85,146	$ 137,422
Accounts receivable	-	2,600
Promises to give	1,000	-
Current maturities of mortgages receivable	13,174	15,586
House construction in process	208,929	57,499
Prepaid expenses	2,513	8,155
Total Current Assets	310,762	221,262
Property and Equipment, net	429,632	435,044
Other Assets:		
Land held for development	136,576	129,994
Mortgages receivable, less current maturities, net of discounts	365,738	555,261
Total Other Assets	502,314	685,255
Total Assets	$ 1,242,708	$ 1,341,561
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current maturities of long-term debt	$ 10,689	$ 10,244
Accounts payable	52,250	48,223
Accrued liabilities	23,769	22,931
Deferred revenue	-	10,000
Line of credit	-	65,000
Total Current Liabilities	86,708	156,398
Long-term Debt:		
Note payable, less current maturities	187,843	198,410
Total Long-Term Liabilities	187,843	198,410
Total Liabilities	274,551	354,808
Net Assets:		
Unrestricted		
Undesignated	910,157	944,064
Board designated	55,000	-
Total Unrestricted	965,157	944,064
Temporarily restricted	3,000	42,689
Total Net Assets	968,157	986,753
Total Liabilities and Net Assets	$ 1,242,708	$ 1,341,561

HABITAT FOR HUMANITY LAKESIDE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
Revenues and Other Support:						
Support:						
Contributions - cash	$ 36,981	$ 28,500	$ 65,481	$ 46,360	$ 166,415	$ 212,775
Contributions - non-cash	10,000	-	10,000	20,000	-	20,000
Net assets released from restrictions	68,189	(68,189)	-	148,726	(148,726)	-
Total Support	115,170	(39,689)	75,481	215,086	17,689	232,775
Revenues:						
Transfers to homeowners	114,000	-	114,000	452,000	-	452,000
Recapture silent second mortgage	-	-	-	26,767	-	26,767
Mortgage discount amortization	37,235	-	37,235	71,028	-	71,028
Resale store sales (less direct expenses of $228,760 and $223,768, respectively)	79,586	-	79,586	76,924	-	76,924
Fundraising proceeds (less direct expenses of $1,800 and $1,352, respectively)	3,454	-	3,454	5,384	-	5,384
Interest income	116	-	116	33	-	33
Program service fees	4,600	-	4,600	615	-	615
Loss on sale of land for development	(2,191)	-	(2,191)	-	-	-
Gain on disposal of property and equipment	-	-	-	1,492	-	1,492
Gain from sale of mortgages receivable	173,188	-	173,188	-	-	-
Miscellaneous	110	-	110	1,547	-	1,547
Total Revenues	410,098	-	410,098	635,790	-	635,790
Total Revenues and Other Support	525,268	(39,689)	485,579	850,876	17,689	868,565
Operating Expenses:						
Program services	369,202	-	369,202	930,076	-	930,076
Management and general	115,946	-	115,946	66,863	-	66,863
Fundraising	19,027	-	19,027	8,058	-	8,058
Total Operating Expenses	504,175	-	504,175	1,004,997	-	1,004,997
Change in Net Assets	21,093	(39,689)	(18,596)	(154,121)	17,689	(136,432)
Net Assets:						
Beginning of year	944,064	42,689	986,753	1,098,185	25,000	1,123,185
End of year	$ 965,157	$ 3,000	$ 968,157	$ 944,064	$ 42,689	$ 986,753

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

HABITAT FOR HUMANITY LAKESIDE, INC
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Building expenses:								
Materials, supplies and property acquisition costs	$ 131,560	$ -	$ -	$ 131,560	$ 487,213	$ -	$ -	$ 487,213
On-site expenditures	6,942	-	-	6,942	1,563	-	-	1,563
Mortgage discount expense	60,434	-	-	60,434	238,216	-	-	238,216
Family selection expense	-	-	-	-	373	-	-	373
Mission specific cost	4,244	-	-	4,244	-	-	-	-
Tithe to HFHI	5,727	-	-	5,727	10,860	-	-	10,860
HFHI fees	7,500	-	-	7,500	7,500	-	-	7,500
Payroll expenses	85,070	87,739	18,440	191,249	106,175	37,920	7,584	151,679
Office expenses:								
Rent	3,000	-	-	3,000	2,250	-	-	2,250
Insurance	12,985	8,657	-	21,642	15,046	10,030	-	25,076
Telephone	311	620	311	1,242	158	317	158	633
Seminars	1,496	1,495	-	2,991	3,101	3,101	-	6,202
Office supplies	7,133	7,132	-	14,265	4,105	4,104	-	8,209
Postage and printing	276	137	276	689	316	159	316	791
Professional fees	-	9,094	-	9,094	-	10,160	-	10,160
Depreciation	18,439	1,072	-	19,511	17,764	1,072	-	18,836
Facilities	6,298	-	-	6,298	11,326	-	-	11,326
Advertising expenses	1,196	-	-	1,196	2,488	-	-	2,488
Volunteer expense	980	-	-	980	4,052	-	-	4,052
Vehicle	3,865	-	-	3,865	4,840	-	-	4,840
Interest expense	3,528	-	-	3,528	364	-	-	364
Other expense	80	-	-	80	(605)	-	-	(605)
Fundraising event supplies	-	-	1,800	1,800	-	-	1,352	1,352
Program expenses	8,138	-	-	8,138	12,971	-	-	12,971
Resale store expenses	228,760	-	-	228,760	223,768	-	-	223,768
	597,962	115,946	20,827	734,735	1,153,844	66,863	9,410	1,230,117
Less: resale store expenses and fundraising expenses netted against revenue	228,760	-	1,800	230,560	223,768	-	1,352	225,120
Total Expenses	$ 369,202	$ 115,946	$ 19,027	$ 504,175	$ 930,076	$ 66,863	$ 8,058	$ 1,004,997

HABITAT FOR HUMANITY LAKESIDE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in Net Assets	$ (18,596)	$ (136,432)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Discounts on mortgages issued	60,434	238,216
Mortgage discount amortization	(37,235)	(71,028)
Gain from sale of mortgages receivable	(173,188)	-
Transfers to homeowners	(100,000)	(396,000)
Depreciation	19,511	18,836
Gain on disposal of property and equipment	-	(1,492)
Donated land	(10,000)	(20,000)
Loss on sale of land for development	2,191	-
Effects of changes in operating assets and liabilities:		
Accounts receivable	2,600	(2,500)
Promises to give	(1,000)	25,000
House construction in process	(151,430)	196,459
Prepaid expenses	5,642	(1,640)
Land held for development	1,227	24,066
Accounts payable	4,027	7,917
Accrued liabilities	838	8,731
Deferred revenue	(10,000)	8,000
Net Cash Flows from Operating Activities	(404,979)	(101,867)
Cash Flows From Investing Activities:		
Proceeds from sale of mortgages receivable	388,973	-
Purchase of property and equipment	(14,099)	(2,700)
Proceeds from property and equipment	-	2,635
Payments on mortgages receivable	52,951	115,235
Net Cash Flows from Investing Activities	427,825	115,170
Cash Flows From Financing Activities:		
Proceeds from line of credit	-	65,000
Payments on line of credit	(65,000)	-
Payments on long-term debt	(10,122)	(10,712)
Net Cash Flows from Financing Activities	(75,122)	54,288
Net Change In Cash	(52,276)	67,591
Cash:		
Beginning of year	137,422	69,831
End of year	$ 85,146	$ 137,422

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Habitat for Humanity Lakeside, Inc., (the "Organization") is a non-profit organization that is an affiliate of Habitat for Humanity International, Inc. (HFHI). HFHI is a non-denominational Christian not-for-profit 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 HFHI assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. Such operations are conducted within the Habitat for Humanity Lakeside, Inc. area (Sheboygan County) and include acquisition of real estate to be improved, purchase of building materials, organization of construction/rehabilitation labor (volunteer and paid) and financing of the sale of its completed projects. The Organization targets those in very low income economic groups, selling homes at no profit and financing them with non-interest bearing loans.

The Organization also operates a resale store in Sheboygan County, the profits from which help further the Organization's purpose.

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States of America generally accepted accounting principles.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may or will be met either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization does not have any permanently restricted net assets as of June 30, 2018 and 2017.

In June 2018, the Organization amended their by-laws to establish a cash Reserve Fund that will maintain a balance of no less than $250,000. If the balance is below the $250,000 minimum, the Board of Directors shall allocate no less than $10,000 in the fiscal year budget. Any transfers to cover operational cash flow shortages must be approved by the Board President or Treasurer. Such transfers must be repaid with 3 months. The Finance Committee may grant an extension until the next board meeting, and then the Board of Directors may grant extensions with a 2/3 majority. This Reserve Fund may be used for capital improvements or to fund new initiatives, as long as the expense does not deplete the Reserve Fund to below $50,000. The entire Reserve Balance may be used to cover emergency expenses with a unanimous vote of the Board of Directors.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

Cash includes all highly liquid investment wit an initial maturity of three months or less. At June 30, 2018 and 2017, the Organization did not have deposits in excess of insured limits.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of grantors or purchasers of services to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that the allowance for doubtful accounts is zero at June 30, 2018 and 2017.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give at June 30, 2018 and 2017 were $1,000 and $0, respectively. All promises to give are expected to be collected within the next year.

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management has determined that the valuation allowance for pledges receivable is zero at June 30, 2018 and 2017.

Property and Equipment

Property and equipment are stated at cost or, if donated, at estimated fair value. The Organization's capitalization policy is to capitalize all assets with an economic life greater than three years with a minimum cost of $1,000.

Depreciation for financial statement purposes has been computed using a straight-line method based on a useful life of five to seven years for equipment and thirty-nine years for building and improvements. Depreciation charged to operations for the years ended June 30, 2018 and 2017 was $19,511 and $18,836 respectively.

Mortgages Receivable

Mortgages receivable consists of non-interest bearing mortgages which are secured by real estate and are payable in monthly installments over the life of the mortgage. The mortgage loans are discounted to recognize that they do not bear interest.

The Organization considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist the homeowners who have been delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept a deed in lieu of foreclosure where homeowners mortgage payments are seriously delinquent. Properties acquired through foreclosure or a deed in lieu of foreclosure are generally refurbished in partnership with, and sold to, other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgage receivables as of June 30, 2018 and 2017.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Mortgages Receivable – Continued

Each home that the Organization sells will be sold at the fair market value determined by an independent appraiser. The repayable first mortgage must be affordable for the homebuyer over the life span of the loan. The Organization defines affordability as setting a homeowner's monthly mortgage payment at 23% of gross monthly income at the time of consummation (loan closing). The mortgage payment shall include principal and escrow for property taxes and homeowner's insurance. All mortgage terms shall be at minimum of 20 years. However, if the monthly payment on a 20-year term is not affordable, the term will be increased up to a maximum of 30 years.

The Organization will provide a subsidy in the form of a subordinate lien to protect any equity at closing. The difference between the sales price (appraised value) and the first mortgage (repayable) will be secured with a deferred subordinate lien (referred to as a "silent second mortgage"). The term of the silent second mortgage will match the term of the first mortgage. No monthly payments will be due from the homeowner on this note. The silent second mortgage will be forgiven at an equal percent per year on the anniversary date of the loan. Early payment in full of the first mortgage will not satisfy the terms of the subordinate mortgage. The homeowner would be responsible to repay any remaining balance on the silent second mortgage at the point in time the homeowner sells, transfers, conveys any beneficial interest in the property, or upon the refinancing of the first mortgage.

The second mortgage is collected after the first mortgage is satisfied and after certain other liens are satisfied. The second mortgages are designed to prevent the homeowner from selling the home and reaping a substantial benefit. The value of second mortgages not recorded totaled $304,058 and $314,777 at June 30, 2018 and 2017, respectively.

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 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 and reported in the statement of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Revenue Recognition

Grant revenue is recognized in the period in which the related expenditures are incurred and grant milestone deadlines and requirements are met.

Revenue from transfers to homeowners is recognized in the period in which ownership of the home is transferred and is recorded at the gross mortgage amount of payments to be received over the lives of the mortgages. The gross mortgage amount generally approximates the construction cost incurred and paid for by the Organization.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Donations to Resale Stores

The Organization operates a resale store (ReStore) located in Sheboygan. All of the items sold in the ReStore are donated. Donations of ReStore items are not valued nor carried in inventory due to the uncertainty about the existence of value. The items are considered to have no value or indeterminate value until they are sold. Revenue from resale stores is recognized when payment is tendered at the time of sale.

Sales Tax

The Organization collects sales tax from its ReStore customers and remits the entire amount to the appropriate governmental entities. The Organization's accounting policy is to exclude the tax collected and remitted from revenues and direct expenses of resale store sales.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was $1,751 and $5,239 for the years ended June 30, 2018 and 2017.

Functional Expense Allocations

Expenses relating to more than one function are allocated to program service, management and general and fundraising costs based on employee time estimates or other appropriate usage factors.

Income Taxes

The Organization has been classified as an other-than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

The Organization has evaluated tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2018 and 2017.

All years not closed by statute of limitations in jurisdictions remain open for examination.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounting Standards Update

FASB has issued the following standards which will be effective in subsequent years and are expected to have an impact on the Organization:

Update 2014-09, *Revenue from Contracts with Customers,* effective for the year ended June 30, 2020. This Update results in changes to the timing of when an Organization will recognize income.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting Standards Update – Continued

Revenues will be recognized when the promised goods or services are transferred to its customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. This Update also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. In conjunction with implementing 2014-09, the Organization will also implement the following Updates related to revenue recognition: 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing,* 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients* and 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers.*

Update 2016-02, *Leases,* effective for the year ended June 30, 2021. This Update results in significant changes to financial reporting and disclosures related to both operating and capital (finance) leases. The new leases standard is intended to increase the transparency and comparability among companies that lease buildings, equipment and other assets by recognizing the assets and liabilities that arise from these lease transactions on the statement of financial position. Updates related to leases: 2018-01—*Leases (Topic 842*): *Land Easement Practical Expedient for Transition to Topic 842*, 2018-10—*Codification Improvements to Topic 842, Leases* and 2018-11—*Leases (Topic 842): Targeted Improvements.*

Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities,* effective for the year ended June 30, 2019. This Update results in significant changes to the reporting of net assets. Net assets will be reported on the face of the financial statements for two classes: net assets with donor restrictions and net assets without donor restrictions. This Update also includes enhanced disclosures related to self-imposed limits on use of resources, composition of net assets with donor restrictions, qualitative and quantitative information of liquidity management, method of cost allocation and underwater endowment fund information.

Update 2016-18, *Statement of Cash Flows: Restricted Cash,* effective for the year ended June 30, 2020. This Update requires that a statement of cash flows explain changes in the amount of total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Restricted cash and restricted cash equivalents should be included in both the beginning and ending cash balances presented in the statement of cash flows, as well as their changes included in cash flows for operations, financing and investing activities, as appropriate.

Update 2018-08—*Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for the year ended June 30, 2020. This update clarifies and improves the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. It provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition.

NOTE B – UNCONDITIONAL PROMISE TO GIVE

The Organization has unconditional promise to give expected to be collected as follows at June 30:

	2018	2017
Less than one year	$ 1,000	$ -

NOTE C – CONCENTRATION OF CREDIT RISK

The Organization maintains cash in various bank accounts. Aggregate deposits at these banks are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization's cash deposits, at times, exceed these limits.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2018	2017
Equipment	$ 106,806	$ 92,707
Building and improvements	419,309	419,309
Land	66,800	66,800
	592,915	578,816
Less accumulated depreciation	163,283	143,772
	$ 429,632	$ 435,044

NOTE E – HOUSE CONSTRUCTION IN PROCESS AND LAND HELD FOR DEVELOPMENT

The Organization purchases lots and homes for construction and renovation. Costs that are incurred before construction or renovation begins are capitalized as part of the lot or home. After construction or renovation has begun, costs associated with the project are accumulated in a construction in process account on the statements of financial position until the construction or renovation is completed. These homes are then sold to those in need based upon the Organization's selection criteria. As of June 30, 2018, the total cost of house construction in process and land held for development was $208,929 and $136,576, respectively. As of June 30, 2017, the total cost of house construction in process and land held for development was $57,499 and $129,994, respectively.

NOTE F – MORTGAGES RECEIVABLE

The Organization services the mortgages on the homes constructed and sold to qualifying families. The mortgages are interest free and have been discounted at prevailing market rates for low income housing at the inception of the mortgages. Discounts are amortized using the straight-line method over the life of the loan. At June 30, 2018, the carrying value of the non-interest bearing mortgage loan receivables of $777,487 is shown net of the total unamortized discount of $398,575. At June 30, 2017, the carrying value of the non-interest bearing mortgage loan receivables of $1,217,158 is shown net of the total unamortized discount of $646,311.

Annual collection of mortgages receivables, net of the amortized discount, at June 30, 2018 are due as follows:

2019	$ 13,174
2020	13,800
2021	12,247
2022	13,057
2023	14,122
Thereafter	312,512
	$ $378,912

All mortgages receivable payments were current as of June 30, 2018.

During the year ended June 30, 2018, the carrying value mortgages receivable of $486,718 (net of discounts of $270,933) were sold for $388,973. A gain of $173,188 was recognized as a result of the sale.

NOTE G – LINE OF CREDIT

The Organization had a $200,000 line of credit with the bank that matured in May 2018. Under the agreement, interest was payable at the Wall Street Journal's published prime rate plus .5% (5.25% as of May 2018). The line of credit was secured by all business assets of the Organization. There was $0 and $65,000 outstanding at June 30, 2018 and 2017, respectively.

In July 2018, the Organization established $200,000 line of credit that matures in August 2019. Under this agreement, interest is payable at the bank's prime rate plus .5% (5.5% as of the agreement date), but no less than 4%. The line of credit is secured by all business assets of the Organization. The line of credit is also subject to a minimum 5 day resting period beginning December 31, 2018.

NOTE H – LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	2018	2017
Note payable to refinance a mortgage with a bank with monthly payment of $1,576 including principal and interest at 4.25%. Final payment due in June 2020 secured by building.	$ 198,532	$ 208,654
Less current maturities	(10,689)	(10,244)
	$ 187,843	$ 198,410

Future maturities of long-term debt are as follows:

2019	$ 10,689
2020	187,843
	$ 198,532

NOTE I – NET ASSETS RESTRICTIONS/DESIGNATIONS

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	2018	2017
VISTA	$ 2,000	$ 5,500
Sponsored home	-	27,189
Promises to give	1,000	-
Team member volunteer program	-	10,000
	$ 3,000	$ 42,689

Board designated net assets consist of the following at June 30:

	2018	2017
Reserve Fund	$ 55,000	$ -

NOTE J – TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC. (HFHI)

The Organization annually remits a portion of its contributions (excluding in-kind contributions) and ReStore net profits to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2018 and 2017, the Organization contributed $13,227 and $18,360 to HFHI, respectively.

NOTE K – LEASES

The Organization leases the storage unit under a 5-month lease agreement which began November 2016, and automatically renews on a month-to-month basis. The lease requires monthly payment of $500 and is equally shared between the Organization and ReStore. Rent expense amounted to $6,000 and $4,500 for the years ended June 30, 2018 and 2017, respectively.

NOTE L – RESALE STORES DIRECT EXPENSES

Resale stores direct expenses consist of the following at June 30:

	2018	2017
Payroll expenses	$ 140,926	$ 124,525
Rent	3,000	2,250
Utilities	12,478	14,558
Repairs and maintenance	4,516	12,385
Insurance	13,682	14,095
Credit card fees	5,105	4,442
Cost of goods sold	5,723	3,549
Volunteer expenses	1,756	2,757
Dumpster	13,465	7,599
Vehicle expense	5,901	5,434
Supplies	8,787	13,656
Telephone	2,457	2,822
Interest expense	8,810	7,444
Advertising and printing	556	2,751
Other	1,598	5,501
	$ 228,760	$ 223,768

NOTE M – SIGNIFICANT CONCENTRATIONS

Contributions from three donors accounted for approximately 46% of contribution revenue for the year ended June 30, 2018. Two donors accounted for approximately 64% of contribution revenue for the year ended June 30, 2017.

NOTE N – SUPPLEMENTARY CASH FLOW DISCLOSURES

The Organization received $10,000 and $20,000 of non-cash contributions during the year ended June 30, 2018 and 2017, respectively.

Cash paid for interest was $12,315 and $7,243 for the years ended June 30, 2018 and 2017, respectively.

NOTE O – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 13, 2018, the date on which financial statements were available to be issued.