HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019

FINANCIAL STATEMENTS
JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Hillsborough County Florida, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Hillsborough County Florida, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2019, 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 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 of Hillsborough County Florida, Inc. as of June 30, 2019, 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.

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Adoption of New Accounting Pronouncement

As described in Note 2 of the financial statements, the Organization adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which did not change opening net assets. Our opinion is not modified with respect to this matter.

Accell Audit & Compliance, PA

Tampa, Florida
October 22, 2019

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	
Cash and cash equivalents	$ 468,245
Unconditional promises to give	2,714
Due from related party	14,949
Other receivables	20,933
Investments	56,441
Prepaid expenses	34,640
Inventory - construction and ReStore	463,781
Assets held in escrow	120,800
Mortgages receivable, net	696,570
Land held for development	272,993
Property and equipment, net	903,893
Deposits	32,415
Total assets	$ 3,088,374
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 301,024
Deferred rent	55,240
Escrow deposits	120,800
Agency payable	40,886
Note payable - related party	15,875
Notes payable	166,933
Total liabilities	700,758
Net assets	
Without donor restrictions	2,331,175
With Donor restrictions	56,441
Total net assets	2,387,616
Total liabilities and net assets	$ 3,088,374

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
Cash	$ 279,374	$ 517,314	$ 796,688
Donated lots	-	148,453	148,453
In-kind	448,557	76,851	525,408
Transfers to homeowners	1,507,000	-	1,507,000
Mortgage discount amortization	33,134	-	33,134
Sales - Habitat ReStore	2,276,244	-	2,276,244
Foundations and grants	295,544	-	295,544
Fundraising events	17,556	-	17,556
Other	343,731	-	343,731
Net assets released from restrictions	686,177	(686,177)	-
Total support and revenue	5,887,317	56,441	5,943,758
EXPENSES			
Program services			
Rehab/Construction and mortgage discounts	2,438,428	-	2,438,428
Homeowner services	396,203	-	396,203
Habitat ReStore	2,492,885	-	2,492,885
Supporting services:			
Management and general	479,154	-	479,154
Fundraising	247,113	-	247,113
Total expenses	6,053,783	-	6,053,783
Change in net assets before Other Changes	(166,466)	56,441	(110,025)
Other changes - Revenue (Expense)			
Interest expense	(7,733)	-	(7,733)
Gain/(Loss) on sale of mortgages	123,180	-	123,180
Total other changes	115,447	-	115,447
Change in net assets	(51,019)	56,441	5,422
Net assets, beginning of year	2,382,194	-	2,382,194
Net assets, end of year	$ 2,331,175	$ 56,441	$ 2,387,616

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services			
	Rehab/ Construction	Mortgage Discounts	Homeowner Services	Habitat ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	TOTAL
Personnel expenses	$ 599,936	$ -	$ 244,833	$ 1,464,096	$ 2,308,865	$ 159,208	$ 159,235	$ 318,443	$ 2,627,308
Other Expenses									
Admin and general	58,501	-	147,102	217,528	423,131	47,327	189,929	237,256	660,387
Cost of home/land sales	1,645,678	-	570	-	1,646,248	-	-	-	1,646,248
Facilities	13,692	-	1,060	563,020	577,772	898	63,598	64,496	642,268
Cost of goods sold, Restore	-	-	-	73,022	73,022	-	-	-	73,022
Home rehabiliation	48,627	-	-	-	48,627	-	-	-	48,627
Mortgage discounts	-	57,778 *	-	-	57,778	-	-	-	57,778
Special events	-	-	-	-	-	32,503	-	32,503	32,503
Other	2,146	-	1,671	74,167	77,984	6,267	45,446	51,713	129,697
Total expenses before other non-cash items	2,368,580	57,778	395,236	2,391,833	5,213,427	246,203	458,208	704,411	5,917,838
Depreciation	12,070	-	967	101,052	114,089	910	20,946	21,856	135,945
Total Functional Expenses	$ 2,380,650	$ 57,778	$ 396,203	$ 2,492,885	$ 5,327,516	$ 247,113	$ 479,154	$ 726,267	$ 6,053,783

* See Note 4

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 5,422
Adjustments to reconcile change in net assets	
to net cash flows from operating activities:	
Amortization of mortgage discounts	(33,134)
Gain on purchase of mortgages	(123,180)
Discounts on new mortgages transferred to owners	226,564
Donated land for development	(148,453)
Depreciation	135,945
(Increase) decrease in assets:	
Assets held in escrow	(39,078)
Gain on investments	(2,264)
Unconditional promises to give	2,336
Due from CHDO - related party	187,334
Other receivables	(13,500)
Prepaid expenses	(4,547)
Mortgage notes receivable, net	(242,813)
Inventory - construction and ReStore	(302,715)
Land held for development	32,903
Deposits	14
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	139,035
Deferred rent	(8,190)
Escrow funds payable	39,078
Agency payable	2,356
Net cash from operating activities	(146,887)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(25,000)
Acquisition of property and equipment	(92,902)
Net cash used in investing activities	(117,902)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on note payable	(54,329)
Net cash used in financing activities	(54,329)
Net change in cash and cash equivalents	(319,118)
Cash and cash equivalents, beginning of year	787,363
Cash and cash equivalents, end of year	$ 468,245
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Transfer of property to homeowners	$ 1,507,000
In-Kind donations	$ 525,408
Donated services and facilities	$ 148,453
Interest paid	$ 7,733

See independent auditors' report and accompanying notes to the financial statements.

NOTE 1 NATURE OF ORGANIZATION

Habitat for Humanity International, Inc. (“HFHI”) was founded in 1976 by Millard and Linda Fuller. The concept of Habitat for Humanity is that each Habitat Affiliate and those in need of adequate shelter would work side-by-side with volunteers to build affordable, decent homes. Habitat for Humanity of Hillsborough County Florida, Inc. (“Habitat” or the “Organization”) became an Affiliate in 1987 and is a tax-exempt Not-for-Profit organization. Seeking to put God’s love into action, Habitat brings people together to build homes, communities, and hope.

Habitat's Program Services include its home construction program, a thrift retail operation (d.b.a. the ReStore), and homeowner service programs, all of which are provided principally to residents in Hillsborough County.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

Basis of Presentation
Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. The accompanying financial statements include the accounts of the Organization. The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- ***Net assets without donor restrictions*** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various reasons.
- ***Net assets with donor restrictions*** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Recently Adopted Accounting Standards
On August 18, 2016, the Financial Accounting Standards Board (“FASB”) released Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit entity (“NFP”) financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The ASU significantly changes how NFP’s present net assets on the face of the financial statements, as well as requires additional disclosures for expenses by nature and function and for the liquidity and availability of

resources.
The Organization adopted this ASU in the current year, applying the changes retrospectively. The new standard changes the following aspects of these financial statements:

- The unrestricted net assets class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a note about liquidity and availability of financial assets.

These changes had no effect on total net assets at June 30, 2018.

Recent Accounting Pronouncements Not Yet Adopted
In May 2014, The FASB issued ASU 2014-09, *Revenue from Contracts with Customers.* The effective date for this Standard for nonpublic entities is annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual periods beginning after December 15, 2016. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and superseded most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The Organization is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP – which requires only capital leases to be recognized on the balance sheet – the new ASU will require both types of leases to be recognized on the balance sheet. The ASU on leases will take effect for all non-public companies for fiscal years beginning after December 15, 2019.

In June 2018, the FASB released ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU will take effect for all fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

Cash and Cash Equivalents
Habitat considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

Contributions Receivable
Habitat recognizes contributions received and pledged before the year end but not yet deposited, as contributions receivable.

Investments in Securities
Investments are stated at fair value and realized and unrealized gains and losses are reflected in the statement of activities. Donated investments are recorded at fair value at the time of receipt. Market value is determined by market quotations.

Assets Held in Escrow
Habitat currently services the mortgage notes on certain homes it sells. Included in assets held in escrow are cash amounts received for insurance and property taxes on such homes. These cash amounts are recorded as an asset, which is offset by a related liability.

Fair Value of Financial Instruments
At June 30, 2019, the following methods, assumptions, and accounting principles are used to estimate fair value of each of the following classes of financial instruments for which it is practical to estimate value:

Cash and cash equivalents - the carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Unconditional promises to give - the fair value is determined as the present value of the amount pledged based on the interest rates applicable in the year the promises were received.

Mortgage receivables - the fair value is determined at the present value of the loan.

Accounts payable and accrued expenses - the carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Notes payable - the carrying amount reported in the statement of financial position approximates fair value because the Organization can obtain similar loans of comparable maturities and rates by the Organization's financial institution.

Contributions and Revenues
Contributions, including unconditional promises to give due in future periods, are recognized as revenues in the period made or received. Conditional promises to give, which depend upon specific future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as the contribution are reported initially as revenues of net assets with donor restrictions, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date received.

Habitat recognizes revenue from home sales when a closing occurs. A closing is considered to occur when title, possession, and other attributes of ownership have been transferred to the buyer; and the Organization is not obligated to perform significant activities after the sale.

ReStore sales are recognized as revenue at the time merchandise is transferred to the customer. Historically, sales returns have not been significant.

Habitat uses the allowance method to determine uncollectible unconditional promises. The allowance is based on prior years' experience and management's analysis of specific promises made.

Homes Under Construction

Homes under construction consist of labor, material, and lot costs using the specific identification method. It also includes indirect construction costs incurred during the construction period. Habitat transferred 8 homes to homeowners in 2019.

Land Held for Development

Land held for development includes the cost of land and improvements to land or, if donated, the approximate fair value of the land at the date of the donation, held for future construction of homes.

Mortgages Receivable

Mortgages receivable consist predominantly of non-interest bearing residential first mortgages secured by real estate and payable in monthly installments over the life of the mortgage, generally over 30 years. All of the mortgages are related to new construction or the rehabilitation of existing homes rehabilitated by Habitat. These mortgages receivable are shown on the statement of financial position discounted by the average commitment rate per the Freddie Mac Primary Mortgage Market Survey prevailing interest rates at the inception of each mortgage.

In addition to the mortgages receivable included in the statement of financial position, Habitat also enters into equity creation agreements with certain homebuyers. These equity creation agreements known as a "silent second mortgage" originate at the same time of the first mortgage and reflect the difference between the purchase price and the fair market value of the house. This equity creation agreement is part of the mortgage document and is executed for protection against homeowners who may sell their house for a profit before the mortgage is repaid and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage. This amount is considered forgiven by the mortgagee over the life of the mortgage and the mortgagor agrees that the remaining balance is secured by the mortgage until forgiven in full. Habitat does not record a value for the equity creation agreements as it is unlikely that the amount will ever be collected.

Habitat uses established underwriting criteria to ensure that only applicants who meet Habitat's financial and credit criteria are approved to be partner homeowners and receive a non-interest bearing mortgage loan from Habitat. This includes, but is not limited to, a thorough review of each prospective homeowner's credit report, sources of income, and financial history. Habitat regularly reviews its mortgages receivable and monitors the accounts for delinquencies.

Habitat, through their mortgage servicing agent, has documented delinquency procedures that are followed starting 5 days after the payment due date. Once a payment is 45 days or more delinquent, the servicing agent will send a letter that will include the Consumer Financial Protection Bureau mandated notification informing the borrower of the available loss mitigation options. If the homeowner does not cure the default, foreclosure proceedings may be initiated.

Non-interest bearing mortgages originated are discounted based on prevailing market rates at the time of the sale, which results in the net mortgage receivable balances being generally less than 50% of the home's fair market value. Therefore, Habitat believes that losses resulting from non-payment of mortgage notes receivable, given its collateral value, are not likely. Accordingly, Habitat has not recorded an allowance for mortgages receivable.

Inventory
ReStore inventory, which consists of merchandise donated by building supply stores and by individuals in the community, is stated at lower of cost or market value. With few exceptions, the donated items are used, resulting in an undeterminable market value. For these items, inventory is not recorded. The sale of these items, referred to as ReStore sales on the statement of activities, is recorded at point of sale.

Habitat’s inventory also includes construction inventory, construction in process, and land held for construction which is recorded at the lower of cost or market value.

Property and Equipment
Property and equipment are recorded at cost or, if donated, the estimated fair value at the date of donation. Habitat has a policy of capitalizing expenditures for property and equipment with costs greater than $500. Depreciation is provided using the straight-line method over the estimated useful lives of assets which range from 3 to 39 years. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as assets with donor restrictions. In the absence of such stipulations, gifts of property are recorded as assets without donor restrictions.

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

Donated Services and in-Kind Contributions
Donated services and materials are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions. These are reflected in the accompanying statement of activities, at their estimated fair market values at the date of receipt. Contributions of services are recorded if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2019, Habitat recorded donation revenue of approximately $525,000 related to donations of building materials and services and $148,000 in donated lots from various financial institutions and donors recorded at their tax assessed just market value which approximates fair

value.

Transfers to Homeowners

Transfers to homeowners are recorded at the gross mortgage amount. Non-interest bearing mortgages have been discounted based upon the average commitment rate per the Freddie Mac Primary Mortgage Market Survey. Utilizing the effective interest method, this discount will be recognized as mortgage discount amortization income over the term of the mortgage.

Advertising Costs

Advertising costs are expensed as incurred and were approximately $86,000 for the year ended June 30, 2019.

Impairment on Long-Lived Assets

Habitat's long-lived assets, such as land, building, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the asset.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. Habitat recognized no impairment for the year ended June 30, 2019.

Functional Expenses

Certain direct, indirect, and administrative expenses are incurred which benefit more than one program. The Organization, therefore, allocates these expenses accordingly using time charged to employees and other various methods.

Federal Income Tax

Habitat is organized as a nonprofit corporation under the laws of the State of Florida and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding Florida provisions. Donors of cash and/or property are entitled to the maximum charitable contribution deduction allowed by law. Habitat follows the guidance of Accounting Standards Codification ("ASC") 740, *Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for Habitat for the year ended June 30, 2019. Habitat is not currently under examination by any taxing jurisdiction. Habitat's federal returns are generally open for examination for three years following the date filed.

NOTE 3 INVENTORY

Inventory consists of the following as of June 30, 2019:

Construction in process	$	438,385
ReStore inventory		24,616
Supplies and materials		780
Total inventory	$	463,781

NOTE 4 MORTGAGES RECEIVABLE

The initial amount of each mortgage loan approximates the appraised value of the house, plus mortgage discount expense. The notes on these mortgages are non-interest bearing, payable in equal monthly installments, and are secured by deeds of trust on the properties. The payments collected on these mortgages are used to help fund future home construction. The notes have been discounted using the average commitment rate per the Freddie Mac Primary Mortgage Market Survey prevailing interest rates at the inception of each mortgage using the effective interest method over the lives of the mortgages. As mortgage payments are made, Habitat recognizes the amortization of the discount as revenue.

Mortgages receivable as of June 30, 2019 are as follows:

Non-interest bearing loans at face value	$	1,125,180
Less: Unamortized discount based on imputed interest		(428,610)
Mortgage notes receivable, net of discounts	$	696,570

During the year ended June 30, 2019, Habitat transferred 8 properties to qualified buyers at a zero-interest mortgage that is being financed by Habitat, and recorded a discount of approximately $634,000 on these mortgages. Some of these mortgages were subsequently sold to regulated financial institutions during the year. In those cases, the discount expense was reversed. The remaining discount expense on homes sold in which Habitat holds the mortgage at June 30, 2019, in the amount of approximately $58,000, shows as a non-cash expense on the Statement of Functional Expenses (See page 5).

Periodically, Habitat sells individually identified mortgages receivable to regulated financial institutions. Amerinat continues to service these mortgages by collecting payments from homeowners on behalf of the purchasing financial institutions. Homeowner payments are remitted by Habitat to the purchasing financial institutions in arrears. Accordingly, Habitat has reported an agency payable liability in the amount of approximately $41,000 as of June 30, 2019. This reflects the homeowner payments held by Habitat that must be subsequently remitted to the purchasing financial institutions. For the year ended June 30, 2019, Habitat sold 14 of its mortgages.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2019:

Building	$	571,497
Land		364,550
Leasehold improvements		205,098
Automobile		77,840
Equipment		84,766
Office equipment		82,418
		1,386,169
Less accumulated depreciation		(482,276)
Total property and equipment, net	$	903,893

Depreciation expense for the year ended June 30, 2019 was approximately $136,000.

NOTE 6 OPERATING LEASES

Habitat had multiple lease obligations during the year ended June 30, 2019, which expire on various future dates. These leases include rent, a copy machine, and four trucks. Lease expense for these operating leases for the year ended June 30, 2019 was approximately $406,000.

The following is a schedule by years of the future minimum lease payments:

Year ending June 30,		Amount
2020	$	284,693
2021		270,214
2022		175,316
2023		76,329
2024		13,176
Thereafter		10,980
Total	$	830,708

NOTE 7 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization’s management monitors its liquidity so that it is able to cover operating expenses. Management budgets for such costs based on the prior year actual expenses and anticipated future expenses. Budgets are approved by the board of directors before the beginning of the next fiscal year.

Management has budgeted approximately $679,000 of operating expenses to be paid within one year of the balance sheet date. The organization has the following financial assets available within one year of the balance sheet date for general expenditures:

Financial assets:

Cash and cash equivalents	$ 468,245
Investments	56,441
Unconditional promises to give	2,714
Other receivables	20,933
Total financial assets	$ 548,333

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization expects to cover operating expenses through contributions, home sales, ReStore sales and available cash.

NOTE 8 NOTE PAYABLE – RELATED PARTY

During 2017, Habitat entered into a promissory note agreement with HFHI under which it could borrow up to $15,875. This promissory note agreement was entered into as part of the Self-Help Homeownership Opportunity Program ("SHOP") affiliate sub-grant agreement in which, through HFHI, Habitat was awarded $63,500 to be used to pay eligible expenses with respect to land acquisition and infrastructure improvements, with 25% of the award due to HFHI. As of June 30, 2019, the total amount due to HFHI was $15,875, and is recorded as a note payable – related party on the statement of financial position. This promissory note is non-interest bearing with the total principal to be paid in full before January 1, 2024. Principal payments do not begin until January 1, 2020.

NOTE 9 NOTES PAYABLE

Notes payable consists of the following as of June 30, 2019:

Note payable, collateralized by a mortgage, payable in monthly installments of $4,656, including interest at 5.00% per annum, beginning January 2019 through December 2021.	$ 130,926
Note payable, collateralized by a vehicle, payable in monthly installments of $443, including interest at 3.98% per annum, beginning August 2015 through July 2021.	10,620
Note payable, collateralized by a vehicle, payable in monthly installments of $634, including interest at 3.90% per annum, beginning January 2017 through December 2022.	25,387
Total notes payable	$ 166,933
Less current portion	(62,230)
Notes payable, less current portion	$ 104,703

Future principal maturities on the note payable are as follows:

2020	$ 62,230
2021	65,288
2022	35,097
2023	4,318
Total	$ 166,933

NOTE 10 LINES OF CREDIT

On June 3, 2019, the Company entered into a new line of credit (LOC) with a financial institution in the amount of $250,000 with a maturity date of June 3, 2020. The facility bears a variable interest at Prime Rate of the Lender plus three percent, which results in a 8.50% rate at June 30, 2019. As of June 30, 2019, the outstanding balance on the LOC is zero.

On June 21, 2019, the Company entered into a new line of credit (LOC) with a financial institution in the amount of $500,000 with a maturity date of June 21, 2022. The facility bears a variable interest Prime Rate as published by the Wall Street Journal plus one half of a percentage point, which results in a 6.0% rate at June 30, 2019. As of June 30, 2019, there is no outstanding balance on the LOC.

On June 28, 2019, the Company entered into a new LOC with a financial institution in the amount of $250,000 with no maturity date. The facility bears a variable interest at Prime Rate as published in the Wall Street Journal which was of 5.50% at June 30, 2019. The underlying LOC agreement contains certain operational and financial covenants. The Company is in compliance with those covenants at June 30, 2019. As of June 30, 2019, the outstanding balance on the LOC is zero.

NOTE 11 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject Habitat to concentrations of credit risk consist primarily of bank deposits and mortgages receivable. Habitat maintains bank accounts with balances which, at times, may exceed federally insured limits. Habitat has not experienced any losses on such accounts, and believes it is not exposed to any significant risk on bank deposit accounts.

Habitat has the ability to foreclose on delinquent mortgages, reducing the risk of loss to the Organization.

NOTE 12 TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat remits a portion of its contributions without donor restrictions to Habitat International as tithe to support Habitat International's efforts in other countries. Habitat contributed approximately $36,000 to Habitat International during the year ended June 30, 2019 as tithe. Habitat also pays a Stewardship and Organizational Sustainability Initiative (SOSI) fee to support Habitat International's operations. Habitat paid a fee of $25,000 for that fee for the year ended June 30, 2019.

NOTE 13 RELATED PARTY TRANSACTIONS

Habitat constructs homes for a non-profit related party who sells homes to qualified Habitat homeowner candidates. Habitat was paid approximately $859,000 for the year end June 30, 2019 for those services. Habitat advances funds throughout the year for the related party to begin construction on homes. The related party owes Habitat approximately $15,000 as of June 30, 2019. That amount is included as a due from related party on the accompanying statement of financial position.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Habitat is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on Habitat's financial position or the results of its operations.

NOTE 15 SUBSEQUENT EVENTS

Habitat has evaluated the need for adjustments and/or disclosure resulting from subsequent events in these financial statements through October 22, 2019, the date the financial statements were available to be issued. Habitat is not aware of any subsequent events which would require recognition or disclosures in the financial statements.