

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

HABITAT FOR HUMANITY
OF CITRUS COUNTY, INC.

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FRENDEL, BROWN & WEISSMAN LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Citrus County, Inc., a not-for-profit organization, which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the organization'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 organization'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 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 Citrus County, Inc. as of June 30, 2017 and 2016, 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.


Certified Public Accountants

Orlando, Florida
October 20, 2017

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HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	As of June 30,	
	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,033,531	\$ 824,422
Mortgages receivable - net, current portion	114,913	114,094
Other receivables	-	17,238
Prepaid expenses	19,800	19,758
Land inventory	440,745	615,304
Construction in progress - ReStore	495,679	-
Homes under construction	244,221	93,881
	<u>2,348,889</u>	<u>1,684,697</u>
TOTAL CURRENT ASSETS		
NON-CURRENT ASSETS:		
Property and equipment - net	1,475,269	1,532,025
Mortgages receivable - net, non-current portion	3,765,495	3,452,052
	<u>5,240,764</u>	<u>4,984,077</u>
TOTAL NON-CURRENT ASSETS		
TOTAL ASSETS	<u>\$ 7,589,653</u>	<u>\$ 6,668,774</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 74,891	\$ 7,831
Homeowner escrow	64,557	68,674
Deposits	14,785	23,080
Deferred revenue	689	-
Long-term debt, current portion	157,526	129,389
	<u>312,448</u>	<u>228,974</u>
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITIES:		
Long-term debt, non-current portion	2,323,974	2,065,258
	<u>2,323,974</u>	<u>2,065,258</u>
TOTAL LIABILITIES	<u>2,636,422</u>	<u>2,294,232</u>
NET ASSETS - UNRESTRICTED	<u>4,953,231</u>	<u>4,374,542</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,589,653</u>	<u>\$ 6,668,774</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	For the Years Ended June 30,	
	2017	2016
UNRESTRICTED SUPPORT:		
Contributions	\$ 537,680	\$ 1,176,209
Grants	552,672	653,830
Contributions in-kind	90,540	103,084
Sales of residences - net	615,827	542,212
Mortgage loan discount amortization	170,726	142,009
Home store sales	1,229,947	1,109,603
Fundraising	12,064	55,302
Sale of land	2,000	595,333
Rental income - net	13,200	20,895
Interest income	20,695	45
Other income	30,594	217,603
	<u>3,275,945</u>	<u>4,616,125</u>
FUNCTIONAL EXPENSES:		
Program services	1,827,066	2,760,386
Fundraising:		
Home store	729,673	653,932
Other	1,841	21,044
Administrative and general	138,676	114,533
	<u>2,697,256</u>	<u>3,549,895</u>
Increase in unrestricted net assets	578,689	1,066,231
NET ASSETS - UNRESTRICTED, BEGINNING OF YEAR	<u>4,374,542</u>	<u>3,308,311</u>
NET ASSETS - UNRESTRICTED, END OF YEAR	<u>\$ 4,953,231</u>	<u>\$ 4,374,542</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Fundraising		Administrative and General	Total
		Home Store	Other		
Advertising and promotional	\$ -	\$ 29,713	\$ -	\$ -	\$ 29,713
Auto and truck	36,425	-	-	-	36,425
Annual audit expense	-	-	-	11,435	11,435
Annual meeting expense	551	-	-	-	551
Bank charges	765	30,813	-	-	31,578
Computer	3,228	-	-	-	3,228
Construction costs	1,263,145	-	929	-	1,264,074
Dues and subscriptions	2,832	-	-	-	2,832
Fundraising	-	-	912	-	912
Insurance	43,000	48,301	-	2,293	93,594
Interest expense	-	95,600	-	-	95,600
Licenses and permits	-	-	-	350	350
Miscellaneous expense (income)	1,953	(712)	-	-	1,241
Office expense	10,593	30,483	-	4,067	45,143
Payroll taxes	-	34,637	-	-	34,637
Postage and freight	1,695	-	-	-	1,695
Professional fees	2,113	-	-	31,259	33,372
Program management	1,284	-	-	-	1,284
Public relations	31,003	-	-	-	31,003
Real estate taxes	-	-	-	4,665	4,665
Rent, space	-	44,400	-	-	44,400
Repairs and maintenance	2,152	6,319	-	-	8,471
Salaries and wages	332,411	384,670	-	51,316	768,397
Telephone	3,901	7,876	-	-	11,777
Tithe - Habitat International	-	-	-	33,100	33,100
Travel	-	527	-	191	718
Training	23,332	-	-	-	23,332
Utilities	5,401	16,359	-	-	21,760
Volunteer picnic	4,526	687	-	-	5,213
Total functional expenses before depreciation and amortization	1,770,310	729,673	1,841	138,676	2,640,500
Depreciation and amortization	56,756	-	-	-	56,756
TOTAL FUNCTIONAL EXPENSES	\$ 1,827,066	\$ 729,673	\$ 1,841	\$ 138,676	\$ 2,697,256

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Fundraising		Administrative and General	Total
		Home Store	Other		
Advertising and promotional	\$ 1,985	\$ 31,449	\$ -	\$ -	\$ 33,434
Auto and truck	35,336	651	-	-	35,987
Annual audit expense	-	-	-	10,707	10,707
Annual meeting expense	1,212	-	-	-	1,212
Bank charges	37	22,712	-	-	22,749
Construction costs	2,234,065	-	777	3,351	2,238,193
Dues and subscriptions	3,193	-	-	-	3,193
Fundraising	-	-	20,267	-	20,267
Insurance	27,049	34,936	-	1,355	63,340
Interest expense	-	72,428	-	-	72,428
Miscellaneous expense (income)	1,815	(678)	-	-	1,137
Office expense	11,911	23,670	-	4,776	40,357
Payroll taxes	-	34,913	-	-	34,913
Postage and freight	1,850	-	-	-	1,850
Professional fees	186	-	-	17,572	17,758
Public relations	24,484	-	-	-	24,484
Rent, space	-	46,033	-	-	46,033
Repairs and maintenance	2,526	11,835	-	-	14,361
Salaries and wages	336,108	350,619	-	38,516	725,243
Telephone	4,321	6,676	-	-	10,997
Tithe - Habitat International	-	-	-	38,200	38,200
Travel	-	649	-	56	705
Training	12,809	-	-	-	12,809
Utilities	5,739	17,269	-	-	23,008
Volunteer picnic	2,533	770	-	-	3,303
Total functional expenses before depreciation and amortization	2,707,159	653,932	21,044	114,533	3,496,668
Depreciation and amortization	53,227	-	-	-	53,227
TOTAL FUNCTIONAL EXPENSES	\$ 2,760,386	\$ 653,932	\$ 21,044	\$ 114,533	\$ 3,549,895

See independent auditors' report and notes to financial statements.

FRENDEL, BROWN & WEISSMAN LLP
CERTIFIED PUBLIC ACCOUNTANTS

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	For the Years Ended	
	June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in unrestricted net assets	\$ 578,689	\$ 1,066,231
Adjustments to reconcile increase in unrestricted net assets to net cash (used in) provided by operating activities:		
Depreciation	56,756	53,227
Loss on sale of fixed assets	(26,663)	(213,834)
Amortization of mortgage discount	(170,726)	(142,009)
New mortgages transferred to owners - net	(709,162)	(669,183)
Donated land	(285,585)	(722,289)
Land used in construction of homes	460,145	766,993
Changes in operating assets and liabilities:		
Decrease in other receivables	17,238	6,026
Increase in prepaid insurance	(42)	(5,206)
Increase in homes under construction	(150,340)	(36,241)
Increase in accounts payable and accrued expenses	67,060	1,208
(Decrease) increase in homeowner escrow	(4,117)	5,828
(Decrease) increase in deposits	(8,295)	5,730
Increase in deferred revenue	689	-
Net cash (used in) provided by operating activities	(174,353)	116,481
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(302,863)
Payments received on mortgages	565,626	224,238
Construction of ReStore	(495,679)	-
Proceeds from sale of fixed assets	26,663	-
Net cash provided by (used in) investing activities	96,610	(78,625)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(247,409)	(193,932)
Proceeds from long-term debt	534,261	480,221
Net cash provided by financing activities	286,852	286,289
Net increase in cash and cash equivalents	209,109	324,145
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	824,422	500,277
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,033,531	\$ 824,422

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 STATEMENTS OF CASH FLOWS - Continued

	For the Years Ended June 30,	
	<u>2017</u>	<u>2016</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Non-interest bearing mortgage notes:		
Issuance of non-interest bearing mortgage notes	\$ 1,124,004	\$ 1,015,670
Discounts on newly issued non-interest bearing mortgage notes	<u>(465,188)</u>	<u>(444,530)</u>
Net non-interest bearing mortgage notes	<u>\$ 658,816</u>	<u>\$ 571,140</u>
Interest paid	<u>\$ 99,448</u>	<u>\$ 68,385</u>

See independent auditors' report and notes to financial statements.
 FRENDEL, BROWN & WEISSMAN LLP
 Certified Public Accountants

HABITAT FOR HUMANITY
OF CITRUS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Habitat for Humanity of Citrus County, Inc., ("Habitat") is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian not-for-profit organization, whose goal is to eliminate poverty housing and homelessness worldwide. Habitat is primarily and directly responsible for its own operations.

To help finance its operations, Habitat operates two home stores which sell household items including appliances, furnishings, and building materials to the general public. The stores are located in Citrus County, Florida.

Income Tax Status

Habitat is a Florida not-for-profit corporation under Section (501(c)(3) of the Internal Revenue Code (IRC), that is funded through donations, federal and state grants, corporate sponsorship, and other not-for-profit corporations. Under these provisions, no taxes are paid on income received as long as Habitat maintains its tax exempt status. Accordingly, no provision for income taxes is provided in the accompanying financial statements. Although Habitat is exempt from income tax, it may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded under the IRC. As of June 30, 2017, Habitat determined that there are no significant, uncertain tax positions within its financial statements.

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), using the accrual basis of accounting.

Basis of Presentation

The classification of Habitat's net assets is based upon the existence or absence of donor-imposed restrictions as follows:

- Unrestricted - Net assets consisting of resources that are neither permanently nor temporarily restricted by donor-imposed restrictions and, therefore, are available for general operations.
- Temporarily Restricted - Net assets resulting from contributions and other inflows of assets limited by donor-imposed restrictions that either expire with a passage of time or can be fulfilled by the actions of Habitat pursuant to those restrictions. When such restrictions end or are fulfilled, such temporarily restricted net assets will be reclassified to unrestricted net assets and will be reported in the accompanying statements of activities as net assets released from restrictions.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

- Permanently Restricted - Net assets resulting from contributions and other inflows of assets limited by donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by Habitat.

There are no temporarily or permanently restricted net assets as of June 30, 2017 or 2016.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Balances may exceed insured amounts at various times during the year.

Accounts Receivable

Accounts receivable are stated at their net uncollected balance at year end. There were no outstanding accounts receivable as of June 30, 2017 and 2016.

Concentrations of Credit Risk

All of Habitat's mortgage loans are to low income individuals and are secured by real estate located in Citrus County, Florida.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages that are secured by real estate and are payable in monthly installments. The mortgages have original maturities of twenty to thirty years and arose in connection with Habitat's homebuilding initiatives in Citrus County, Florida. These receivables have been discounted at rates of 5%. Mortgage loan discount amortization income is recorded using the straight-line method of amortization. These mortgages are secured by the underlying real estate that is located primarily in Citrus County, Florida. Past due and delinquent mortgage loans are assessed at the discretion of the Board of Directors.

Included in mortgages receivable is one interest-bearing mortgage at a rate of 6.25%. The mortgage was entered into on May 15, 2016 with an original balance of \$335,000 and a term of twenty years. There is a balloon payment due in May 2019 of the remaining balance.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Mortgages Receivable - Continued

Management considers a loan to be delinquent or past due if a borrower fails to make a contractually scheduled principal payment that is over 120 days past due. Habitat's management periodically reviews mortgage balances to determine whether an allowance for bad debts should be established for any amounts determined to be unrecoverable. Factors considered by management include principal, collections experience, collateral value, borrowers' financial conditions, and other factors.

Habitat considers a loan to be impaired when it is "probable" that repayment obligations due according to the contractual terms will not be met. The term "probable" is used consistent with its use in Accounting Standards Codification (ASC) 450. In this instance, the mortgage carrying value is written down, if deemed necessary by management, based on review of collateral and other considerations by management. The receivables are collateralized by mortgage liens on the underlying housing units.

Land Inventory

Inventory consists of residential lots for use in building Habitat homes. Residential lots donated are recorded at assessed value for county tax purposes at time of gift; purchased lots are recorded at cost. Because of the inherent uncertainties of real estate valuation, market value may differ significantly.

Homes Under Construction

Homes under construction consist of building materials and construction costs, excluding labor. Purchased items are recorded at cost; donated items are recorded at fair market value. Costs incurred in conjunction with home construction, excluding labor, are expensed when the home is occupied by the homeowner and title is transferred to the homeowner.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of receipt. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Maintenance and repairs are charged to expense as incurred, while renewals and betterments are capitalized. Gains and losses on sales are credited or charged to operations in the year of sale. Depreciation expense is calculated using the straight line method over estimated useful lives, ranging from five to seven years on equipment and thirty-nine years on commercial real estate and leasehold improvements.

Homeowner Escrow

Homeowner escrow consists of amounts collected from homeowners on a monthly basis for property taxes, hazard insurance premiums, and termite bonds. These funds are collected to protect Habitat's interest in the underlying property and are disbursed in a manner that ensures the maximum tax discount available is obtained for property taxes and that insurance coverage and termite protection do not lapse.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits

Deposits consist of down payments made by future homeowners. The deposits are held until the date of closing, at which time they are applied to the closing costs of the home. Deposits are refunded if the Habitat program is not successfully completed.

Contributed Goods and Services

Habitat records the fair value of donated goods when there is an objective basis available to measure their value as contributions in-kind in the accompanying statements of activities. Habitat does not record the fair value of donated building supplies and materials that are subsequently sold in the home store. These items are recorded as revenue, as the items are sold to the public.

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in the financial statements, since it does not require a specialized skill.

However, other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased if not provided by donations, are recognized as revenue and expense.

Sales of Residences

Sales of residences represent the sale of houses built by Habitat. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount used for mortgages closed during the years ended June 30, 2017 and 2016 was 5%. The sales to homeowners presented in the statements of activities are net of this discount for the years ended June 30, 2017 and 2016. The discount was \$437,760 and \$409,708, respectively.

Construction Costs

Construction costs include the cost of land sold, construction materials for homes sold, supplies, title search costs, and recording fees.

Revenue Recognition

Contributions and unconditional promises to give are recorded as revenue when received. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend have been substantially met. Other unrestricted revenue, support, and gains are recorded as income when earned or realized.

Contributions that are restricted by a donor for a specific purpose or specified time period are recorded upon receipt as temporarily restricted net assets and reclassified to unrestricted net assets upon expenditure of the funds, based on the restricted purpose and/or the lapsing of the specified time period.

Contributions that are permanently restricted by donors for use as endowments are invested in perpetuity. The income is used for operating purposes when expenditures satisfy the donor's restrictions, if any, and such amounts are appropriated for expenditure. Income amounts that exceed related expenditures and appropriations remain as temporarily restricted net assets.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Allocations

The costs of various programs and activities have been summarized on a functional basis in the statements of activities. Within each group, transactions are recorded in specific expense categories and apportioned, when applicable, among the programs and supporting services benefited.

Fair Value of Financial Instruments

Habitat's financial instruments include cash, mortgages receivable, accounts payable, line of credit, and a note payable. The carrying values of these financial instruments approximate their fair values as of June 30, 2017 and 2016.

Advertising Costs

It is the policy of the organization to expense advertising costs when incurred. For the years ended June 30, 2017 and 2016, advertising costs were \$29,713 and \$33,434, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

NOTE 2 - MORTGAGES RECEIVABLE - Net

Mortgages receivable consist of the following:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Mortgages receivable at face value	\$ 6,309,395	\$ 5,837,933
Less: Unamortized discount	<u>(2,428,987)</u>	<u>(2,271,787)</u>
Mortgages receivable, net	<u>\$ 3,880,408</u>	<u>\$ 3,566,146</u>
Current portion of mortgages receivable	\$ 114,913	\$ 114,094
Non-current portion of mortgages receivable	<u>3,765,495</u>	<u>3,452,052</u>
Total	<u>\$ 3,880,408</u>	<u>\$ 3,566,146</u>

Habitat holds a "silent second" mortgage on each completed home. The second mortgage notes will become payable if, prior to the expiration of twenty to thirty years from the date of their making, the maker transfers, sells, refinances or assigns the maker's right, title, or interest in and to the real property securing the second mortgage or ceases to occupy the real property as the maker's principal residence. In that case, the second mortgage will become immediately due and payable, without notice. No value has been recorded in these financial statements for these notes. For the years ended June 30, 2017 and 2016, the value of the silent mortgages was \$3,054,276 net of accumulated forgiveness of \$1,002,978 and \$3,054,276 net of accumulated forgiveness of \$843,101, respectively.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017 AND 2016

NOTE 2 - MORTGAGES RECEIVABLE - Net

Included in other income in the statements of activities is a gain from the write-off of mortgage discounts from foreclosed homes of approximately \$27,000 and \$214,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Vehicles, home store	\$ 86,288	\$ 86,288
Equipment, home store	19,573	19,573
Improvements, home store	189,165	189,165
Improvements, administrative offices	107,929	107,929
Building, home store	350,882	350,882
Land, home store	758,782	758,782
Building, rental property	137,025	137,025
Vehicles, construction	31,562	31,562
Equipment	<u>65,323</u>	<u>65,323</u>
	1,746,529	1,746,529
Less: accumulated depreciation and amortization	<u>(271,260)</u>	<u>(214,504)</u>
Total	<u>\$1,475,269</u>	<u>\$ 1,532,025</u>

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$56,756 and \$53,227, respectively.

NOTE 4 - LONG-TERM DEBT

Long-term debt was comprised of the following:

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
1) Note payable to a bank, secured by personal property, 5% interest, monthly payments of \$377 (principal and interest), matures May 12, 2018	\$ 3,714	\$ 7,943
2) Mortgage payable to a bank, secured by real property and mortgages receivable, 4.5% interest, interest only payments of \$3,592 to April 13, 2015, then monthly principal and interest payments of \$8,616.14, matures March 13, 2034	<u>1,298,447</u>	<u>1,350,414</u>
Sub-total forward	1,302,161	1,358,357

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017 AND 2016

NOTE 4 - LONG-TERM DEBT - Continued

Sub-total forwarded	\$1,302,161	\$1,358,357
3) Note payable to a bank, secured by real property and mortgages receivable, 4.25% interest, monthly payments of \$3,866 (principal and interest), matures March 13, 2034	552,907	574,972
4) Florida Housing Finance Corporation, subordinate mortgage, 1% interest (non-amortizing), matures on earlier of closing of first source of permanent or construction loan or closing of tax credit partnership and receipt of initial disbursement, or December 23, 2017. No principal or interest due until maturity date	63,420	232,568
5) Habitat for Humanity International, SHOP loan, non-interest bearing, due in 94 installments of \$598. First payment due January 1, 2018	85,847	28,750
6) Capital City Bank, construction loan agreement, maximum \$895,000, interest only until Inverness ReStore opens (expected December 1, 2017), 4.2% interest	<u>477,165</u>	<u>-</u>
Total	2,481,500	2,194,647
Less current portion	<u>(157,526)</u>	<u>(129,389)</u>
Long-term debt, net of current portion	<u>\$2,323,974</u>	<u>\$2,065,258</u>

Current maturities of long-term debt for each of the next five years and thereafter are as follows:

2018	\$ 157,526
2019	104,525
2020	108,971
2021	113,620
2022	118,483
Thereafter	<u>1,878,375</u>
Total long-term debt	<u>\$2,481,500</u>

Interest expense associated with long-term debt for the years ended June 30, 2017 and 2016 was \$95,600 and \$72,428, respectively.

NOTE 5 - OPERATING LEASES

Habitat leases a retail store under a month-to-month lease. Under the lease agreement rent is \$3,700 per month.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017 AND 2016

NOTE 5 - OPERATING LEASES - Continued

Total rent expense for the years ended June 30, 2017 and 2016 was \$44,400 and \$46,033, respectively.

NOTE 6 - GRANTS

Habitat earned the following grant monies during the years ended:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Citrus County SHIP Grant	\$ 80,000	\$120,000
Florida Housing Finance (HOP)	276,881	426,580
SHOP Funds	171,291	86,250
Publix	15,000	12,000
Capital City Bank Foundation	1,500	-
Minneapolis Foundation	-	1,000
TD Bank	1,500	1,500
BBVA Compass Bank	4,000	5,000
Regions Bank	-	1,000
Bank of America Foundation	2,500	-
Raymond James	-	500
	<u> </u>	<u> </u>
Total	<u>\$ 552,672</u>	<u>\$653,830</u>

Grants are subject to certain conditions (Note 8).

NOTE 7 - COMMUNITY CONTRIBUTION TAX CREDITS

Florida Statute 220.183 allows business entities that make contributions to programs, or organizations that support projects to provide home ownership to low income households, to use a community contribution credit to offset tax due in any one year. This contribution must be either 1) cash or other liquid assets, 2) real property, 3) goods or inventory, or 4) other physical resources as identified by the Florida Department of Revenue. These contributions must be verified by the sponsoring organization in an application that verifies receipt of the contribution, and this verification must accompany the application for tax credit.

NOTE 8 - CONTINGENCIES

Habitat receives grant money from Citrus County under the State Housing Initiative Program ("SHIP") for eligible homeowners. Use of funds is restricted to infrastructure only and is credited towards the down payment on the home at closing. A lien is placed on the property at closing by Citrus County and is forgiven after a period of twenty years. In the event of homeowner default, Habitat would be required to repay these funds from the proceeds of the sale of foreclosed homes. The lien is subordinate to Habitat's position as first and second mortgage holder.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016

NOTE 9 - IN-KIND CONTRIBUTIONS

The value of donated goods and services included in the financial statements for the years ended is summarized as follows:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Construction costs	\$ 52,948	\$ 70,386
Donated goods	<u>37,592</u>	<u>32,698</u>
Total	<u>\$ 90,540</u>	<u>\$ 103,084</u>

NOTE 10 - TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International on an annual basis. These funds are used to construct homes in economically depressed areas around the world.

For the years ended June 30, 2017 and 2016, Habitat made contributions of \$33,100 and \$38,200, respectively, amounts which have been included in program services expense in the statements of activities.

NOTE 11 - UNRELATED BUSINESS INCOME

Habitat purchased land and a building for purposes of leasing office space and producing rental income. The accompanying statements of activities include rental income, net of related expense. There was no unrelated business income tax for the years ended June 30, 2017 and 2016.

NOTE 12 - LOSS OF INVENTORY

For the years ended June 30, 2017 and 2016, Habitat adjusted all properties held in inventory to the 2016 certified tax roll, which was the most currently available certified tax roll. There was no write-down of land inventory for the years ended June 30, 2017 and 2016.

NOTE 13 - LITIGATION

Habitat is a party to a complaint alleging discrimination in failing to modify its minimum income requirements for its homeownership program. Habitat will continue to vigorously defend itself against the claim in the litigation and believes that an adverse outcome is not probable.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016

NOTE 14 - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2017 and 2016, Habitat used the services of Daly & Zilch Inc. ("Daly & Zilch") for construction of the new Inverness ReStore building and improvements to the administrative offices. One member of Habitat's Board of Directors is an owner of Daly & Zilch. Payments of approximately \$335,000 and \$123,000 were paid to Daly & Zilch for the years ended June 30, 2017 and 2016, respectively. The Board member resigned from the Board of Directors as of April 13, 2017.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2017, the date on which financial statements were available for issue, and has concluded that no events or transactions took place, which require disclosure herein.