

GWINNETT COUNTY
HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Statement s of Financial Position as of June 30, 2018 and 2017	2
Statement s of Activities for the Years Ended June 30, 2018 and 2017	3
Statement of Functional Expenses for the Year Ended June 30, 2018	4
Statement of Functional Expenses for the Year Ended June 30, 2017	5
Statement s of Cash Flows for the Years Ended June 30, 2018 and 2017	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Gwinnett County Habitat for Humanity, 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 audits 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 Gwinnett County Habitat for Humanity, 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.

Atlanta, Georgia
November 16, 2018

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

ASSETS	2018	2017
Cash and cash equivalents	\$ 259,972	\$ 396,938
Cash restricted for escrow deposits	3,768	761
Cash restricted for down payments and advance payments	14,000	-
Gift cards restricted for programs	19,466	-
Home construction in progress	554,807	158,161
Receivable from Habitat International	32,114	15,365
Other receivables	48,488	64,031
Prepays	14,345	16,891
Government grant reimbursements receivable	-	151,686
Escrow deposits held by others	130,936	128,526
Mortgages receivable, net	2,958,602	3,110,097
Property and equipment, net	31,298	41,214
Total assets	\$ 4,067,796	\$ 4,083,670
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 18,510	\$ 14,887
Accrued tithe to Habitat International	3,915	21,201
Other accrued expenses	9,441	11,441
Liability for escrow deposits	134,704	129,287
Down payments and advance payments	14,000	-
Capital lease obligation, net	1,301	3,048
Debt	224,119	294,761
Total liabilities	405,990	474,625
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Expended for property and equipment, net	31,298	41,214
Available for operations	3,484,792	3,312,972
Total net assets without donor restrictions	3,516,090	3,354,186
With donor restrictions	145,716	254,859
Total net assets	3,661,806	3,609,045
Total liabilities and net assets	\$ 4,067,796	\$ 4,083,670

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

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

	2018	2017
Changes in net assets without donor restrictions:		
Revenues, support and gains:		
Sales to homeowners	\$ 221,034	\$ 301,031
Interest income	133,346	159,321
Contributions	59,192	44,941
In-kind revenue	111,857	121,183
Gain (loss) on disposal of property	(300)	93,821
Special events (net of direct costs of \$3,183 in 2017)	-	8,742
ReStore income from Habitat International	93,366	68,309
Other income	94,387	1,875
Total revenue without donor restrictions	712,882	799,223
Net assets released from restrictions	529,044	493,559
Total unrestricted revenues, support and gains without donor restrictions	1,241,926	1,292,782
Expenses:		
Program services	834,791	1,080,949
Administrative and general	106,614	117,848
Fundraising	138,635	56,434
Total expenses	1,080,040	1,255,231
Increase in net assets without donor restrictions	161,886	37,551
Changes in net assets with donor restrictions:		
Contributions for home sponsorships	287,179	376,419
Contributions for A Brush with Kindness	64,179	77,006
Grants for property acquisition and debt forgiveness	30,874	32,418
Contributions for truck acquisition	22,769	-
Other contributions with donor restrictions	14,900	-
Net assets released from restrictions	(529,044)	(493,559)
Decrease in net assets with donor restrictions	(109,143)	(7,716)
Increase in net assets	52,761	29,835
Net assets, beginning of year	3,609,045	3,579,210
Net assets, end of year	\$ 3,661,806	\$ 3,609,045

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

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Administrative and General	Fundraising	Total
Cost of houses sold	\$ 281,604	\$ -	\$ -	\$ 281,604
Salaries and benefits	259,728	61,112	61,112	381,952
Payroll taxes	16,224	3,817	3,817	23,858
Contract labor	52,652	-	-	52,652
Tithe and SOSI fee to Habitat International	40,102	-	-	40,102
Rent	12,960	720	720	14,400
Insurance	10,252	570	570	11,392
Travel and entertainment	4,709	1,108	1,108	6,925
Interest	6,551	258	-	6,809
Telephone and internet	11,786	2,773	2,773	17,332
Accounting and professional fees	24,483	27,483	-	51,966
Fundraising fees	-	-	61,584	61,584
Advertising and public relations	6,824	-	4,550	11,374
Depreciation and amortization of improvements	8,654	481	481	9,616
Warehouse, supplies and tools	74,018	-	-	74,018
Utilities	1,690	94	94	1,878
Postage and freight	1,234	290	290	1,814
Office supplies and expenses	509	6,779	407	7,695
Licenses, dues and taxes	1,649	388	388	2,425
Other expenses	19,162	741	741	20,644
 Total expenses	 <u>\$ 834,791</u>	 <u>\$ 106,614</u>	 <u>\$ 138,635</u>	 <u>\$ 1,080,040</u>
 Percent of total	 77%	 10%	 13%	 100%

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

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Total</u>
Cost of houses sold	\$ 576,630	\$ -	\$ -	\$ 576,630
Salaries and benefits	216,063	60,051	43,648	319,762
Payroll taxes	13,639	3,791	2,755	20,185
Contract labor	64,778	-	-	64,778
Tithe and SOSI fee to Habitat International	55,311	-	-	55,311
Rent	12,960	1,440	-	14,400
Insurance	8,493	944	-	9,437
Travel and entertainment	4,719	1,312	953	6,984
Interest	8,177	639	-	8,816
Telephone and internet	9,423	2,619	1,904	13,946
Accounting and professional fees	24,633	29,339	-	53,972
Fundraising fees	-	-	556	556
Advertising and public relations	7,957	-	5,305	13,262
Depreciation and amortization of improvements	8,383	932	-	9,315
Warehouse, supplies and tools	56,009	-	-	56,009
Utilities	1,311	146	-	1,457
Postage and freight	1,484	412	300	2,196
Office supplies and expenses	1,648	14,830	-	16,478
Licenses, dues and taxes	1,473	409	298	2,180
Other expenses	7,858	984	715	9,557
 Total expenses	 <u>\$ 1,080,949</u>	 <u>\$ 117,848</u>	 <u>\$ 56,434</u>	 <u>\$ 1,255,231</u>
 Percent of total	 87%	 9%	 4%	 100%

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

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

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 52,761	\$ 29,835
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization of improvements	9,616	9,315
Amortization of discount on notes payable	1,831	2,058
(Gain) loss on disposal of property	300	(93,821)
Grants for property acquisition and debt forgiveness	(30,874)	(32,418)
Change in assets and liabilities:		
(Increase) decrease in:		
Cash restricted for escrow deposits	(3,007)	9,231
Gift cards restricted for programs	(19,466)	-
Home construction in progress	(396,646)	41,404
Receivable from Habitat International	(16,749)	(15,365)
Other receivables	15,543	(14,198)
Prepays and other current assets	2,546	(4,622)
Government grant reimbursements receivable	151,686	(151,686)
Escrow deposits held by others	(2,410)	(7,023)
Mortgages receivable, net	151,495	(49,802)
Property held for sale	-	(312)
Increase (decrease) in:		
Accounts payable	3,623	(65)
Accrued tithe to Habitat International	(17,286)	20,603
Other accrued expenses	(2,000)	(1,461)
Liability for escrow deposits	5,417	(2,208)
Total adjustments	(146,381)	(290,370)
Net cash used in operating activities	(93,620)	(260,535)
Cash flows from investing activities:		
Proceeds from sale of property	-	179,886
Purchases of property and equipment	-	(39,581)
Net cash provided by investing activities	-	140,305
Cash flows from financing activities:		
New borrowings on debt	-	184,104
Principal payments on capital lease obligations	(1,747)	(1,365)
Principal payments on debt	(41,599)	(40,151)
Net cash provided by (used in) financing activities	(43,346)	142,588
Net increase (decrease) in cash and cash equivalents	(136,966)	22,358
Cash and cash equivalents, beginning of year	396,938	374,580
Cash and cash equivalents, end of year	\$ 259,972	\$ 396,938

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

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies

Nature of Organization

Gwinnett County Habitat for Humanity, Inc. (the Organization) is a nondenominational Christian organization dedicated to eliminating poverty housing by building modest yet adequate housing in partnership with responsible, low-income families. By having volunteers and families work together in partnership, the Organization builds new hope, new relationships, and a new sense of community as well as new houses. The goal of the Organization and its affiliate, Habitat for Humanity International, Inc. (Habitat International), is to demonstrate the love of Jesus Christ, eliminate poverty housing and homelessness, and to stir the hearts and minds of others to take action on this issue. As of June 30, 2018, the Organization has built or rehabilitated 135 houses in the local community and has helped to preserve and restore homes for other families in need through its A Brush With Kindness program. Further, the Organization has provided contributions to Habitat International to help serve more than one million families around the world by providing people with safe, decent, and affordable shelter. Although Habitat International assists with information resources, training, publications, and prayer support, the Organization is primarily and directly responsible for its own operations. The Organization is supported primarily through sales to homeowners, individual, corporate and church contributions, and volunteer services from the community. The Organization invites people from all walks of life to work together in partnership to help build houses with families in need.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP), and in accordance with standards adopted by the American Institute of Certified Public Accountants for certain nonprofit organizations. Under this method of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred.

Method of Reporting

In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this net asset category include unrestricted contributions, investment income, and fundraising event income and related expenses associated with the Organization’s core activities.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Method of Reporting – Continued

Net Assets With Donor Restrictions – Net assets subject to donor, or certain grantor, 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. The Organization has no net assets with donor restriction that are required to be held in perpetuity.

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.

Sales to Homeowners

Sales to homeowners represent the sales of houses built and sold to low income families. The resulting mortgages are non-interest bearing and have been discounted using rates ranging from 3.25% to 9.00%. The sales to homeowners presented in the statements of activities are net of this discount.

Contributions

In accordance with GAAP, contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered available for unrestricted use, unless specifically restricted by the donor. All other contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions

Depending on the existence and/or nature of any donor restrictions, contributions are recorded as support with donor restrictions or support without donor restrictions. Time and capital donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Impairment of Long-Lived Assets

Long-lived assets 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 future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Donated Property, Equipment, Facilities, Goods and Services

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization receives the use of office facilities owned by others. The facilities are provided to the Organization at no cost. For the years ended June 30, 2018 and 2017, the fair market value of the rental space, which is \$14,400 per annum, has been recognized as in-kind donations and rent expense in the accompanying statements of activities and functional expenses.

All non-cash gifts (other than personal services) are carried at their estimated fair value at the date of receipt if reasonably determinable. Certain building and other supplies have been donated to the Organization for which the value is not reasonably determinable, and therefore, is not reflected in these financial statements.

For the years ended June 30, 2018 and 2017, the estimated fair value of donated goods and services is approximately \$13,472 and \$16,588, respectively.

A substantial number of volunteers have donated significant amounts of their time in the Organization's internal operations. If donated services received either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated, GAAP requires the value of those donated services to be recorded. The estimated value of the donated services which meet the above requirements have been reflected in these financial statements at the fair value of the services received, which was approximately \$83,985 and \$90,195, respectively, for the years ended June 30, 2018 and 2017.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Advertising

Advertising costs are expensed as incurred.

Cash and Cash Equivalents and Concentration of Credit Risk

The Organization considers all highly liquid investments available for current use with maturities of three months or less to be cash equivalents. The Organization is required to maintain homeowners' escrow deposits and down payments/advance payments in a separate bank account, and this cash is included as cash restricted for escrow deposits and cash restricted for down payments and advance payments, respectively. Cash and cash equivalents consist of demand deposits at a commercial bank. The account balances (as reflected in the institution's records) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, there was \$50,833 and \$159,296, respectively, in excess of the federally insured limits.

Cash Restricted for Escrow Deposits, Escrow Deposits Held by Others and Liability for Escrow Deposits

The Organization outsources the servicing of the mortgages on the houses it has sold, with the exception of a small number of mortgages that are currently serviced in-house. Cash restricted for escrow deposits of \$3,768 and \$761, respectively, as of June 30, 2018 and 2017 represents cash maintained by the Organization for the escrow monies received by homeowners for the mortgages serviced in-house. Escrow deposits held by others of \$130,936 and \$128,526, respectively, at June 30, 2018 and 2017 represents the escrow monies received by homeowners and held by the third party outsourcing provider. Cash restricted for escrow deposits and escrow deposits held by others includes amounts received by homeowners for insurance, property taxes and other expenses. The offsetting liability for these costs is reflected in liability for escrow deposits of \$134,704 and \$129,287, respectively, as of June 30, 2018 and 2017.

Mortgages Receivable, Net

Mortgages receivable balances represent the amounts charged to the homeowners for houses built and consist of non-interest-bearing mortgages that are secured by real estate and are payable in monthly installments over mutually agreed upon periods of time. Mortgages receivable are recorded upon the sale of the house. These receivables have been discounted at rates varying from 3.25% to 9.00%. Interest income is recorded under the interest method in accordance with GAAP.

It is the policy of management to initiate foreclosure when an account is delinquent by ninety days or more. Management believes that substantially all mortgages receivable are collectible, and the losses from any uncollectible mortgages receivable would be offset by the subsequent resale of the houses.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Home Construction in Progress

Home construction in progress represents those houses which are currently under construction for families. Purchased material for the construction of these houses is recorded at cost. Donated materials and labor, if applicable, are recorded at the estimated fair market value at the date of donation. Costs which apply to more than one house are allocated to the respective houses.

Property and Equipment, Net

Property and equipment are recorded at cost. The Organization follows the practice of capitalizing all expenditures over \$2,500 for property and equipment. Depreciation is computed using the straight-line method over the estimated useful lives as stated below. At the time assets are retired or disposed of, cost and accumulated depreciation are eliminated from the related accounts and gain or loss, if any, is credited or charged to income. As of June 30, 2018 and 2017, the estimated useful lives of property and equipment were as follows:

Vehicles	5 years
Computer equipment	3 - 5 years
Leasehold improvements	7 -15 years
Construction equipment	5 years
Office furniture and equipment	7 - 10 years

Debt

Debt includes notes to the Gwinnett County government that carry interest rates below the prevailing market rates at the time of borrowing. These notes have been discounted at the same rates used to discount the mortgages receivable. Interest expense is recorded under the interest method in accordance with GAAP.

Tax Exempt Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that there were no uncertain positions taken that would require recognition of a liability (or asset) or disclosure in the financial statement notes as of June 30, 2018 and 2017. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements, and the Organization had no significant unrelated business taxable income during the years ended June 30, 2018 and 2017. The IRS Form 990's are subject to examination by the appropriate regulatory authorities for all open years, which typically include the last three years filed.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include advertising & public relations, office supplies & expense, rent, insurance, depreciation & amortization of improvements and utilities which are allocated on the basis of how the expenses support the programs, as well as salaries & benefits, payroll taxes, travel & entertainment, telephone & internet, postage & freight, and licenses, dues & taxes which are allocated on the basis of estimates of time and effort.

Supplemental Disclosure of Cash Flow Information

For the years ended June 30, 2018 and 2017, supplemental disclosure of cash flow information includes cash paid for interest of \$4,868 and \$6,317, respectively.

New Accounting Policy

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires retrospective application. The Organization adopted this guidance for the year ended June 30, 2018. This new accounting policy did not affect net assets.

Reclassification

Amounts previously reported have been reclassified to conform to the current year financial statement presentation.

Subsequent Events

Subsequent events have been evaluated through November 16, 2018 which is the date the financial statements were available to be issued, and there were no subsequent events other than those mentioned in Notes 6 and 13.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. Liquidity and Availability of Financial Assets

The Organization is substantially supported by contributions with and without donor restrictions and by collections on mortgages from homeowners. For purposes of analyzing resources available to meet general expenditures over a twelve month period, the Organization considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures may be incurred for program, administrative, or fundraising purposes. Annual operations are defined as activities occurring during the Organization's fiscal year.

The Organization's financial assets as of June 30, 2018 (reduced by amounts not available for general expenditure within the next 12 months) which are available within one year after this date to satisfy liabilities at this date and for future general expenditures are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 259,972
Cash restricted for escrow deposits	3,768
Cash restricted for down payments and advance payments	14,000
Gift cards restricted for programs	19,466
Other receivables	48,488
Receivable from Habitat International	32,114
Mortgages receivable, net	<u>2,958,602</u>
Total financial assets	3,336,410
Less amounts not available for general expenditures within one year:	
Cash restricted for escrow deposits	(3,768)
Cash restricted for down payments and advance payments	(14,000)
Donor restricted cash for non-recurring program	(4,250)
Mortgages receivable, net - due in more than one year	<u>(2,720,608)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 593,784</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. As described in Note 6, the Organization also maintains a committed line of credit in the amount of \$100,000 which it could draw upon in the event of an unanticipated cash need.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

3. Government Grants Reimbursements Receivable

In fiscal 2017, the Gwinnett County Board of Commissioners (the County) awarded the Organization three grants for property acquisition to be used in its home construction and rehabilitation mission. The Organization spent \$184,104 for eligible property acquisition in 2017, of which \$32,418 had been reimbursed by the County in accordance with the grant agreement, resulting in a remaining receivable of \$151,686 as of June 30, 2017. The remaining government grant reimbursements receivable were collected during fiscal 2018, resulting in no remaining balance in government grant reimbursements receivable as of June 30, 2018.

4. Mortgages Receivable, Net

As of June 30, 2018 and 2017, the total number of mortgages receivable outstanding was 98 and 103 respectively. Certain mortgages receivable were pledged as security for a note payable to Habitat International, as described in Note 6. Mortgages receivable consist of the following as of June 30:

	2018	2017
Mortgages receivable face value	\$ 4,007,750	\$ 4,198,335
Less unamortized discount	(1,049,148)	(1,088,238)
Mortgages receivable, net	\$ 2,958,602	\$ 3,110,097

Principal maturities of mortgages receivable are as follows:

For the years ending June 30:	
2019	\$ 237,994
2020	251,228
2021	265,353
2022	269,437
2023	273,905
Thereafter	1,660,685
	\$ 2,958,602

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

5. Property and Equipment, Net

Property and equipment, net consists of the following as of June 30:

	2018	2017
Vehicles	\$ 40,677	\$ 40,677
Computer equipment	16,783	16,783
Leasehold improvements	15,709	15,709
Construction equipment	-	949
Office furniture and equipment	11,577	11,577
	84,746	85,695
Less accumulated depreciation	(53,448)	(44,481)
Property and equipment, net	\$ 31,298	\$ 41,214

For the years ended June 30, 2018 and 2017, depreciation and amortization of improvements expense was \$9,616 and \$9,315, respectively, and included depreciation under a capital lease.

6. Debt

Debt consists of the following as of June 30:

	2018	2017
Various unsecured notes payable bearing 3% interest; payable to Gwinnett County in yearly installments of \$13,106 including interest; due August 2018 - May 2022	\$ 24,102	\$ 34,226
Note payable to Habitat International bearing 3.8% interest; payable in monthly installments of \$2,780 including interest; due December 2020	79,204	108,848
Note payable to Gwinnett County; non interest bearing; due June 2027 (see below)	-	30,874
Note payable to Gwinnett County; non interest bearing; due June 2027 (see below)	120,813	120,813
Total debt	\$ 224,119	\$ 294,761

For the various unsecured notes payable to Gwinnett County totaling \$24,102 and \$34,226, respectively, as of June 30, 2018 and 2017, the discount rates used to calculate imputed interest on the below market rate notes range from 8.22% to 8.48%. As of June 30, 2018 and 2017, this debt is net of unamortized discount on below market interest-bearing debt of \$2,315 and \$4,146, respectively.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018 AND 2017

6. Debt – Continued

The interest-bearing note payable to Habitat International totaling \$79,204 and \$108,848, respectively, as of June 30, 2018 and 2017 is secured by certain mortgages receivable and related assets. Further, the Organization is required to adhere to certain loan covenants in connection with its notes payable to Habitat International and was in compliance with or obtained waivers for these loan covenants as of June 30, 2018 and 2017.

As described in Note 3, during fiscal 2017 the Gwinnett County Board of Commissioners (the County) awarded the Organization three grants for property acquisition to be used in its home building and rehabilitation mission. The Organization spent \$184,104 for property acquisition in 2017, all of which has been reimbursed by the County as of June 30, 2018. Under the terms of the agreements, the funding received is considered to be a forgivable loan, which is forgiven after homes have been sold to eligible first-time home buyers. The forgivable loans are transferred to the qualified home buyer at the time of purchase, and the loans with the borrowers require the homeowner to continue to comply with certain provisions for specified periods of time. The Organization records these forgivable loans as notes payable until they are forgiven, at which time they are recorded as grant revenue. During 2018 and 2017, the Organization had met the requirements for converting two notes payable to grants totaling \$30,874 and \$32,418, respectively, as reflected in the statements of activities as donor restricted grants for property acquisition and debt forgiveness. One note payable in the amount of \$120,813 remains outstanding as of June 30, 2018 but is expected to be converted to a grant in 2019 by meeting the specified grant criteria.

The Organization has an open line of credit with United Community Bank for the purpose of property acquisition with maximum borrowings of \$100,000 and an interest rate of prime plus .5%. Prime rate was 5% and 4.25%, respectively, as of June 30, 2018 and 2017. The due date of the line of credit is October 9, 2018, and there were no borrowings outstanding as of June 30, 2018 and 2017. Subsequent to year end on September 21, 2018, the line of credit was renewed with the same terms and a new maturity date of September 20, 2019.

Aggregate principal maturities of the debt subsequent to June 30, 2018 are as follows:

<u>For the years ending June 30:</u>	
2019	\$ 162,894
2020	39,786
2021	19,237
2022	2,202
	\$ 224,119

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

7. Capital Lease Obligation

During 2018 and 2017, the Organization leased office equipment that qualifies as a capital lease. As of June 30, 2018, future minimum lease payments under this capital lease are \$1,301 plus \$132 in amounts representing interest, due in fiscal 2019.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of funds the Organization has received subject to donor imposed restrictions and consist of the following at June 30:

	2018	2017
Home sponsorships	\$ 78,038	\$ 222,066
A Brush With Kindness home preservation and repair	40,659	32,793
Truck acquisition	22,769	-
Other	4,250	-
Total net assets with donor restrictions	\$ 145,716	\$ 254,859

9. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30:

	2018	2017
Home sponsorships	\$ 431,207	\$ 388,803
A Brush With Kindness home preservation and repair	56,313	40,838
Vehicle for A Brush With Kindness	-	31,500
Global mission trip	10,650	-
Property acquisition and debt forgiveness	30,874	32,418
Total net assets released from restrictions	\$ 529,044	\$ 493,559

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

10. Related Party Transactions

In addition to the note payable to Habitat International described in Note 6, the Organization annually remits to Habitat International a specified amount to be used to construct homes in economically depressed areas around the world. For the year ended June 30, 2018, the Organization contributed a total of \$15,102 to Habitat International, with \$3,915 still payable as of June 30, 2018. For the year ended June 30, 2017, the Organization contributed \$30,311 to Habitat International, with \$21,201 still payable as of June 30, 2017. Such amounts are included in program services expense in the statements of functional expenses. For each of the years ended June 30, 2018 and 2017, the Organization also paid Habitat International \$25,000 in affiliate fees known as Stewardship and Organizational Sustainability Initiative (SOSI), which is also included in program services in the statements of functional expenses.

The Organization formerly owned the Gwinnett Habitat for Humanity ReStore, LLC (ReStore), a retail operation. To increase focus on its homebuilding mission, the Organization sold ReStore to Habitat International in early fiscal 2013, effective July 1, 2012. In accordance with the sale agreement, the Organization had the option to repurchase ReStore in five years and again in ten years following the sale closing date. The Organization opted not to repurchase the ReStore at the end of the five years on July 1, 2017.

In accordance with the agreement to sell the ReStore to Habitat International in fiscal 2013, the Organization shall receive 33% of the net revenues of the ReStore if certain criteria are met. For the years ended June 30, 2018 and 2017, the Organization earned total revenue from the Habitat International ReStore in accordance with this agreement of \$93,366 and \$68,309, respectively, and these amounts are included as ReStore income from Habitat International in the accompanying statements of activities. For the years ended June 30, 2018 and 2017, there were \$32,114 and \$15,365, respectively, due from Habitat International for the ReStore revenue sharing.

During the years ended June 30, 2018 and 2017, the Organization received contributions from Habitat International of \$8,194 and \$8,030, respectively, and these amounts are included in contributions in the accompanying statements of activities.

During fiscal 2018 and 2017, a homeowner with mortgages due to the Organization also served on the Board of Directors of the Organization. This member recused herself from discussing or voting on issues involving her mortgage, which totaled approximately \$11,000 and \$14,000, respectively, as of June 30, 2018 and 2017.

During fiscal 2017, the Organization sold land whereby the listing agent became a Board member after the listing but before the sale was completed. Proceeds from the sale on this land totaled \$179,886.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

11. Contingent Assets

To encourage homeowners to remain in their homes for a specified period and to prevent the selling of their homes for a profit before their mortgages are paid off, the Organization maintains shared equity rights on all of its mortgages receivable. Upon the homeowner's sale of the home before a specified time, the Organization is entitled to receive a portion of the equity appreciation in the home, and this shared equity amount is based on the number of complete years the seller has made payments on their mortgage. The shared equity amounts are not included in the financial statements because the revenue is not expected to be realized, and the amount of shared equity cannot be reasonably estimated because the future sales price of the home is unknown. During fiscal 2018, the Organization collected \$78,455 for shared equity that had been realized, and this amount is included in other income in the accompanying statement of activities. There were no such amounts collected during fiscal 2017.

To ensure homes are affordable to qualifying homeowners, the Organization has issued additional "silent" mortgages on certain homes, valued as the difference between the homeowner's purchase price and the appraised value of the house at the time of initial sale. A prorated portion of the silent mortgages is forgiven each year the homeowners remain in their homes. These silent mortgages are not included in the financial statements because the revenue is not expected to be realized. The total remaining balance of silent mortgages not yet forgiven totaled approximately \$531,857 and \$ 682,844, respectively, as of June 30, 2018 and 2017.

12. Commitments

In May 2017, the Organization entered into an agreement to acquire property for \$175,000. The property acquisition was finalized in fiscal 2018.

On October 2, 2017, the Organization entered into an agreement to receive public relations, marketing, fundraising, organization, record keeping, donor relations, and management development assistance for the Organization's upcoming fundraising campaign. As of June 30, 2018, the Organization had a remaining commitment of \$12,600 related to the agreement.

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

13. Operating Lease Commitments

Subsequent to June 30, 2018, the Organization entered into operating lease agreements for rent and office equipment. No payments were made for these agreements as of June 30, 2018. Future minimum rental payments under these operating leases are as follows:

<u>For the years ending June 30:</u>	
2019	\$ 27,661
2020	28,292
2021	28,292
2022	28,292
2023	27,031
	<u>\$ 139,568</u>

14. Retirement Plan

The Organization maintains a 401(k) retirement plan for its employees. Effective in October 2013, all employees are immediately eligible to participate in the plan. To receive matching contributions from the Organization, the employee must be at least eighteen years of age and have completed five hundred hours of service in a six month period which commences on the date of employment. The Organization may make matching contributions of up to three percent (3%) of covered payroll, plus fifty percent (50%) of contributions that exceed three percent (3%) of covered payroll, up to five percent (5%) of covered payroll. Employees are immediately vested in all employee and employer contributions. During the year ended June 30, 2018 and 2017, employer contributions to the plan totaled \$6,976 and \$6,437, respectively.