GWINNETT COUNTY
HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017 AND 2016

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.

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BROOKS, McGINNIS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and 2016, 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, 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.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
October 23, 2017

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GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 396,938	$ 376,830
Cash restricted for escrow deposits	-	9,992
Home construction in progress	158,161	199,565
Contributions and other receivables	64,031	49,833
Receivable from Habitat International	15,365	-
Prepaids and other current assets	16,891	12,269
Government grant reimbursements receivable	151,686	-
Escrow deposits held by others	128,526	121,503
Mortgages receivable, net	3,110,097	3,060,295
Property held for sale	-	85,753
Property and equipment, net	41,214	10,948
Total assets	$ 4,082,909	$ 3,926,988
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 14,887	$ 14,952
Accrued tithe to Habitat International	21,201	598
Other accrued expenses	11,441	12,902
Liability for escrow deposits	128,526	131,495
Down payments and advance payments	-	2,250
Capital lease obligation, net	3,048	4,413
Debt	294,761	181,168
Total liabilities	473,864	347,778
Commitments and contingencies		
Net assets:		
Unrestricted	3,354,186	3,316,635
Temporarily restricted	254,859	262,575
Total net assets	3,609,045	3,579,210
Total liabilities and net assets	$ 4,082,909	$ 3,926,988

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

GWINNETT COUNTY HABITAT FOR HUMANITY, INC.
STATEMENT S OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Changes in unrestricted net assets:		
Revenues, support and gains:		
Sales to homeowners	$ 301,031	$ 304,371
Interest income	159,321	164,257
Contributions	44,941	27,716
In-kind revenue	121,183	125,416
Gain on disposal of property	93,821	-
Special events (net of direct costs of $3,183 in 2017)	8,742	-
ReStore income from Habitat International	68,309	57,847
Other income (expense)	1,875	(9,677)
Total unrestricted revenue	799,223	669,930
Net assets released from restrictions	493,559	358,276
Total unrestricted revenues, support and gains	1,292,782	1,028,206
Expenses:		
Program services	1,080,949	1,134,822
Administrative and general	117,848	110,863
Fundraising	56,434	49,542
Total expenses	1,255,231	1,295,227
Increase (decrease) in unrestricted net assets	37,551	(267,021)
Changes in temporarily restricted net assets:		
Contributions for home sponsorships	376,419	252,397
Contributions for A Brush with Kindness	77,006	46,684
Grant for property acquisition and debt forgiveness	32,418	-
In-kind revenue for home sponsorships	-	200,000
Net assets released from restrictions	(493,559)	(358,276)
Increase (decrease) in temporarily restricted net assets	(7,716)	140,805
Increase (decrease) in net assets	29,835	(126,216)
Net assets, beginning of year	3,579,210	3,705,426
Net assets, end of year	$ 3,609,045	$ 3,579,210

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

	Program Services	Administrative and General	Fundraising	Total
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	$ 1,080,949	$ 117,848	$ 56,434	$ 1,255,231
Percent of total	87%	9%	4%	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, 2016

	Program Services	Administrative and General	Fundraising	Total
Cost of houses sold	$ 695,800	$ -	$ -	$ 695,800
Salaries and benefits	207,249	49,623	35,028	291,900
Payroll taxes	15,141	3,625	2,559	21,325
Contract labor	42,432	-	-	42,432
Tithe and SOSI fee to Habitat International	33,556	-	-	33,556
Rent	12,960	1,440	-	14,400
Insurance	8,906	990	-	9,896
Travel and entertainment	5,701	1,365	964	8,030
Interest	10,095	639	-	10,734
Telephone and internet	11,156	2,671	1,886	15,713
Accounting and professional fees	29,314	40,088	-	69,402
Fundraising fees	-	-	55	55
Advertising and public relations	10,736	-	7,157	17,893
Depreciation and amortization of improvements	7,263	808	-	8,071
Warehouse, supplies and tools	26,907	-	-	26,907
Utilities	1,955	217	-	2,172
Postage and freight	1,377	330	233	1,940
Office supplies and expenses	746	6,714	-	7,460
Licenses, dues and taxes	1,102	264	186	1,552
Other expenses	12,426	2,089	1,474	15,989
Total expenses	$ 1,134,822	$ 110,863	$ 49,542	$ 1,295,227
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, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 29,835	$ (126,216)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization of improvements	9,315	8,071
Amortization of discount on notes payable	2,058	2,554
Gain on disposal of property	(93,821)	-
In-kind donation of property	-	(200,000)
Grant for property acquisition and debt forgiveness	(32,418)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Cash restricted for escrow deposits	9,992	112,994
Home construction in progress	41,404	324,497
Contributions and other receivables	(14,198)	(49,833)
Receivable from Habitat International	(15,365)	47,583
Prepaids and other current assets	(4,622)	8,046
Government grant reimbursements receivable	(151,686)	-
Escrow deposits held by others	(7,023)	(121,503)
Mortgages receivable, net	(49,802)	(96,980)
Property held for sale	(312)	247
Increase (decrease) in:		
Accounts payable	(65)	6,702
Accrued tithe to Habitat International	20,603	(5,033)
Other accrued expenses	(1,461)	(3,282)
Liability for escrow deposits	(2,969)	8,509
Down payments and advance payments	(2,250)	(9,570)
Total adjustments	(292,620)	33,002
Net cash used in operating activities	(262,785)	(93,214)
Cash flows from investing activities:		
Proceeds from sale of property	179,886	200,000
Purchases of property and equipment	(39,581)	(1,088)
Net cash provided by investing activities	140,305	198,912
Cash flows from financing activities:		
New borrowings on notes payable	184,104	-
Principal payments on capital lease obligations	(1,365)	(1,366)
Principal payments on notes payable	(40,151)	(38,753)
Net cash provided by (used in) financing activities	142,588	(40,119)
Net increase in cash and cash equivalents	20,108	65,579
Cash and cash equivalents, beginning of year	376,830	311,251
Cash and cash equivalents, end of year	$ 396,938	$ 376,830

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

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, 2017, the Organization has built or rehabilitated 133 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.

Basis of Presentation

The Organization presents its financial statements in accordance with GAAP. Under this method of accounting, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets described as follows:

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

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

1. Nature of Organization and Significant Accounting Policies – Continued

Basis of Presentation – Continued

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. As of June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

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 donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

1. Nature of Organization and Significant Accounting Policies – Continued

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 unrestricted support unless the donor 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 restricted support. 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 temporarily restricted net assets to unrestricted net assets at that time.

For the year ended June 30, 2016, the fair market value of donated real property of $200,000 has been recognized as in-kind revenue restricted for home sponsorships in the accompanying statements of activities. There was no donated real property during fiscal 2017.

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, 2017 and 2016, 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, 2017 and 2016, the estimated fair value of donated goods and services is approximately $16,588 and $15,000, 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 $90,195 and $96,016, respectively, for the years ended June 30, 2017 and 2016.

Supplemental Disclosure of Cash Flow Information

For the years ended June 30, 2017 and 2016, supplemental disclosure of cash flow information includes cash paid for interest of $6,317 and $8,473, respectively.

1. Nature of Organization and Significant Accounting Policies – Continued

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 in a separate bank account, and this cash is included as cash restricted for escrow deposits. 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 at June 30, 2017 and 2016. At June 30, 2017 and 2016, there was $159,296 and $143,123, 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 $9,992 at June 30, 2016 represents cash maintained by the Organization for the escrow monies received by homeowners for the mortgages serviced in-house. There is no cash restricted for escrow deposits at June 30, 2017. Escrow deposits held by others of $128,526 and $121,503, respectively, at June 30, 2017 and 2016 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 include 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 $128,526 and $131,495, respectively, as of June 30, 2017 and 2016.

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.

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.

Advertising

Advertising costs are expensed as incurred.

Property and Equipment, Net

Property and equipment are recorded at cost. Prior to July 1, 2016, the Organization generally followed the practice of capitalizing all expenditures over $1,000 for property and equipment. Effective July 1, 2016, the Organization changed its accounting policy to capitalize all expenditures over $2,500 for property and equipment. The change in accounting policy did not significantly affect the financial statements. 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. At June 30, 2017 and 2016, 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.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

1. Nature of Organization and Significant Accounting Policies – Continued

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, 2017. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements. In addition, the Organization had no significant unrelated business taxable income during the years ended June 30, 2017 and 2016. 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.

New Accounting Policy

Previously, the Organization followed the practice of capitalizing all expenditures for property and equipment in excess of $1,000. Beginning July 1, 2016, the Organization increased this threshold to $2,500.

Subsequent Events

Subsequent events have been evaluated through October 23, 2017 which is the date the financial statements were available to be issued, and there were no subsequent events other than those mentioned in Notes 2, 6 and 11.

2. Government Grants Reimbursements Receivable, Net

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, of which $32,418 has been reimbursed by the County in accordance with the grant agreement, resulting in a remaining receivable of $151,686 at June 30, 2017. The Organization's ability to collect reimbursable amounts is affected by the outside agencies' acceptance of reimbursable expenses, which must meet the grant requirements. The government grant reimbursements receivable were collected subsequent to year end in fiscal 2018.

3. Mortgages Receivable, Net

At June 30, 2017 and 2016, the total number of mortgages receivable outstanding was 103 and 99, 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 at June 30:

	2017	2016
Mortgages receivable face value	$ 4,198,335	$ 4,116,303
Less unamortized discount	(1,088,238)	(1,056,008)
Mortgages receivable, net	$ 3,110,097	$ 3,060,295

Principal maturities of mortgages receivable are as follows:

For the years ended June 30:	
2018	$ 216,815
2019	229,463
2020	242,961
2021	250,507
2022	255,296
Thereafter	1,915,055
	$ 3,110,097

4. Property Held for Sale

Property held for sale of $85,753 at June 30, 2016 represents real property donated to or otherwise acquired by the Organization but determined to be unbuildable for purposes of its mission. It is recorded at estimated market value as provided by selling prices of similar or comparable properties. The property was sold during 2017, and there is no property held for sale as of June 30, 2017.

5. Property and Equipment, Net

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

	2017	2016
Vehicles	$ 40,677	$ 6,345
Computer equipment	16,783	14,133
Leasehold improvements	15,709	15,709
Construction equipment	949	949
Office furniture and equipment	11,577	8,978
	85,695	46,114
Less accumulated depreciation	(44,481)	(35,166)
Property and equipment, net	$ 41,214	$ 10,948

For the years ended June 30, 2017 and 2016, depreciation and amortization expense was $9,315 and $8,071, respectively, and included depreciation under a capital lease.

6. Debt

Debt consists of the following at June 30:

	2017	2016
Various unsecured notes payable bearing 3% interest; payable to Gwinnett County in yearly installments of $13,106 including interest; due August 2018 - May 2022	$ 34,226	$ 43,777
Note payable to Habitat International bearing 3.8% interest; payable in monthly installments of $2,780 including interest; due December 2020	108,848	137,391
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	-
Total debt	$ 294,761	$ 181,168

For the various unsecured notes payable to Gwinnett County totaling $34,226 and $43,777, respectively, at June 30, 2017 and 2016, the discount rates used to calculate imputed interest on the below market rate notes range from 8.22% to 8.48%. At June 30, 2017 and 2016, this debt is net of unamortized discount on below market interest-bearing debt of $4,146 and $6,204, respectively.

6. Debt – Continued

The interest-bearing note payable to Habitat International 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 at June 30, 2017 and 2016.

As described in Note 2, 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 in fiscal 2017. The Organization spent $184,104 for property acquisition, all of which has been or will be reimbursed by the County, as further discussed in Note 2. Under the terms of the agreement, these amounts will be converted to grants if the Organization meets certain requirements, including selling the property to eligible first-time home buyers. Until that time, the amounts are shown as notes payable in the accompanying financial statements. As of June 30, 2017, the Organization had met the requirements for converting one note payable to a grant totaling $32,418, reflected in the statement of activities as restricted grant for property acquisition and debt forgiveness. Two notes payable in the amounts of $30,874 and $120,813 remain outstanding at June 30, 2017, but are expected to be converted to grants in subsequent years 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 4.25% and 3.50%, respectively, as of June 30, 2017 and 2016. The due date of the line of credit is September 11, 2017, and there were no borrowings outstanding at June 30, 2017 and 2016. Subsequent to year end on October 10, 2017, the line of credit was renewed with the same terms and a new maturity date of October 9, 2018.

Aggregate principal maturities of the debt subsequent to June 30, 2017 are as follows:

For the years ended June 30:		
2018	$	71,624
2019		162,862
2020		38,995
2021		19,237
2022		2,043
	$	294,761

7. Capital Lease Obligation

During 2016 and 2017, the Organization leased office equipment that qualifies as a capital lease. Future minimum lease payments under this capital lease with the net minimum lease payments are as follows:

For the years ended June 30:		
2018	$	2,005
2019		1,348
		3,353
Less amount representing interest		(305)
Capital lease obligation, net	$	3,048

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of contributions the Organization has received subject to donor imposed restrictions consisting of the following at June 30:

		2017		2016
Home sponsorships	$	222,066	$	234,364
A Brush With Kindness home preservation and repair		32,793		8,211
Vehicle for A Brush With Kindness		-		20,000
Total temporarily restricted net assets	$	254,859	$	262,575

9. Net Assets Released from Restrictions

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

		2017		2016
Home sponsorships	$	388,803	$	340,965
A Brush With Kindness home preservation and repair		40,838		17,311
Vehicle for A Brush With Kindness		31,500		-
Property acquisition and debt forgiveness		32,418		-
Total net assets released from restrictions	$	493,559	$	358,276

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, 2017, the Organization contributed a tithe of $30,311 to Habitat International, with $21,201 still payable at June 30, 2017. For the year ended June 30, 2016, the Organization contributed $8,556 to Habitat International, with $598 still payable at June 30, 2016. Such amounts are included in program services expense in the statements of functional expenses. For each of the years ended June 30, 2017 and 2016, the Organization also paid Habitat International $25,000 in affiliate fees knows 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 as of 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, 2017 and 2016, the Organization earned total revenue from the Habitat International ReStore in accordance with this agreement of $68,309 and $57,847, respectively, and these amounts are included as other income from Habitat International in the accompanying statements of activities. At June 30, 2017, there was $15,365 due from Habitat International for the ReStore revenue sharing. There was no receivable from Habitat International for the ReStore revenue sharing at June 30, 2016.

During the years ended June 30, 2017 and 2016, the Organization received contributions from Habitat International of $8,030 and $7,980, respectively, and these amounts are included in contributions in the accompanying statements of activities.

During fiscal 2017 and 2016, 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 approximatel y $14,000 and $16,000 as of June 30, 2017 and 2016.

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.

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. Subsequent to year end in August 2017, the Organization collected $28,357 for shared equity that had been realized.

To ensure homes are affordable to qualifying homeowners, the Organization has issued additional "silent" mortgages on certain homes, valued as the difference between the appraised value of the house at the time of initial sale and the homeowner's purchase price. 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 $682,844 and $763,945 at June 30, 2017 and 2016, respectively.

12. Commitments

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

13. 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, 2017 and 2016, employer contributions to the plan totaled $6,437 and $7,478, respectively.