

**BLOUNT COUNTY HABITAT  
FOR HUMANITY, INC.**  
Maryville, Tennessee

FINANCIAL STATEMENTS

June 30, 2018 and 2017

**BLOUNT COUNTY HABITAT  
FOR HUMANITY, INC.**  
Maryville, Tennessee  
June 30, 2018 and 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Blount County Habitat for Humanity, Inc.  
Maryville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Blount County Habitat for Humanity (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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blount County Habitat for Humanity 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.

*Ingram, Overholt & Bean, PC*

Alcoa, Tennessee

December 11, 2018

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

Statements of Financial Position

For the Years Ended June 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets		
Cash .....	\$ 512,962	\$ 348,823
Mortgages receivable, current portion .....	168,733	193,057
Other receivables .....	36,733	15,702
Prepaid expenses.....	8,365	6,667
Construction in progress .....	264,866	136,575
Escrow Receivable.....	<u>5,089</u>	<u>-</u>
Total Current Assets.....	<u>996,748</u>	<u>700,824</u>
Property and Equipment		
Land.....	90,000	90,000
Buildings .....	2,029,330	2,029,330
Building Improvements.....	71,083	63,478
Office equipment and furniture.....	61,206	72,330
Vehicles .....	<u>45,913</u>	<u>45,913</u>
	2,297,532	2,301,051
Less: Accumulated depreciation.....	<u>(351,207)</u>	<u>(287,245)</u>
Net Property and Equipment .....	<u>1,946,325</u>	<u>2,013,806</u>
Non-Current Assets		
Mortgages receivable, net of discount and current portion .....	940,956	1,054,429
Land held for development.....	-	49,115
Improved lots .....	151,859	203,565
Utility and security deposits.....	<u>2,700</u>	<u>2,700</u>
Total Non-Current Assets.....	<u>1,095,515</u>	<u>1,309,809</u>
Total Assets.....	<u>\$ 4,038,588</u>	<u>\$ 4,024,439</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses .....	\$ 144,032	\$ 125,128
Notes payable, current portion .....	<u>88,378</u>	<u>62,569</u>
Total Current Liabilities.....	<u>232,410</u>	<u>187,697</u>
Non-Current Liabilities		
Notes payable, net of current portion.....	<u>1,541,820</u>	<u>1,603,459</u>
Total Net Assets .....	<u>2,264,358</u>	<u>2,233,283</u>
Total Liabilities and Net Assets.....	<u>\$ 4,038,588</u>	<u>\$ 4,024,439</u>

See accompanying independent auditors' report and notes.

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**  
 Statements of Activities  
 For the Years Ended June 30, 2018 and 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND SUPPORT</b>			
Cash contributions .....	\$ 232,615	\$ -	\$ 232,615
Grant revenue .....	-	11,644	11,644
Awards .....	6,000	-	6,000
Sales to homeowners .....	235,385	-	235,385
Silent second sale .....	44,465	-	44,465
Non-program home sales .....	140,400	-	140,400
Housing repair .....	109,408	-	109,408
Mortgage discount amortization .....	174,982	-	174,982
Land donations .....	-	-	-
In-kind donations for building materials .....	23,752	-	23,752
ReStore revenue .....	848,783	-	848,783
Rental income .....	37,113	-	37,113
Other income .....	2,546	-	2,546
Net assets released from restrictions:			
Satisfaction of donor restrictions .....	11,644	(11,644)	-
Total Revenue and Support .....	1,867,093	-	1,867,093
<b>FUNCTIONAL EXPENSES</b>			
Program services .....	1,556,412	-	1,556,412
Management and general .....	167,265	-	167,265
Fundraising .....	112,341	-	112,341
Total Expenses .....	1,836,018	-	1,836,018
CHANGE IN NET ASSETS .....	31,075	-	31,075
BEGINNING NET ASSETS .....	2,233,283	-	2,233,283
Ending Net Assets .....	\$ 2,264,358	\$ -	\$ 2,264,358

See accompanying independent auditors' report and notes.

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**  
**Statements of Activities**  
For the Years Ended June 30, 2018 and 2017

	2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
Cash contributions .....	\$ 266,844	\$ -	\$ 266,844
Grant revenue .....	-	11,644	11,644
Awards .....	-	-	-
Sales to homeowners .....	121,902	-	121,902
Silent second sale .....	13,051	-	13,051
Non-program home sales .....	174,072	-	174,072
Housing repair .....	89,148	-	89,148
Mortgage discount amortization .....	227,479	-	227,479
Land donations .....	9,000	-	9,000
In-kind donations for building materials .....	1,298	-	1,298
ReStore revenue .....	836,236	-	836,236
Rental income .....	36,190	-	36,190
Other income .....	4,847	-	4,847
Net assets released from restrictions:			
Satisfaction of donor restrictions .....	<u>11,644</u>	<u>(11,644)</u>	<u>-</u>
Total Revenue and Support .....	<u>1,791,711</u>	<u>-</u>	<u>1,791,711</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services .....	1,312,133	-	1,312,133
Management and general .....	122,622	-	122,622
Fundraising .....	<u>64,714</u>	<u>-</u>	<u>64,714</u>
Total Expenses .....	<u>1,499,469</u>	<u>-</u>	<u>1,499,469</u>
CHANGE IN NET ASSETS .....	<u>292,242</u>	<u>-</u>	<u>292,242</u>
BEGINNING NET ASSETS .....	2,013,344	-	2,013,344
Prior Period Adjustment (Note 13) .....	<u>(72,303)</u>	<u>-</u>	<u>(72,303)</u>
NET ASSETS, as restated .....	<u>1,941,041</u>	<u>-</u>	<u>1,941,041</u>
Ending Net Assets .....	<u>\$ 2,233,283</u>	<u>\$ -</u>	<u>\$ 2,233,283</u>

See accompanying independent auditors' report and notes.

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

Statements of Functional Expenses

For the Years Ended June 30, 2018 and 2017

	2018			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries.....	\$ 226,887	\$ 34,934	\$ 52,778	\$ 314,599
Taxes .....	16,427	2,632	3,621	22,680
Professional fees .....	2,460	22,949	-	25,409
Office supplies .....	-	1,128	1,374	2,502
Direct mail/postage.....	-	-	3,499	3,499
Benefits.....	-	41,617	-	41,617
Events.....	-	-	41,360	41,360
Occupancy (Rent & Utilities) .....	3,258	3,148	2,264	8,670
Telephone.....	4,204	3,554	-	7,758
Insurance .....	14,883	2,478	-	17,361
Interest.....	6,222	2,667	-	8,889
Repairs and maintenance .....	40,601	16,339	-	56,940
Computer software and supplies .....	-	12,972	-	12,972
Tools and minor equipment.....	2,713	-	-	2,713
Travel.....	6,597	5,524	-	12,121
Volunteer appreciation .....	-	-	-	-
Professional development.....	2,925	3,485	1,447	7,857
Other expenses .....	12,109	6,889	5,336	24,334
Construction and land development.....	374,447	-	-	374,447
Donation to affiliates.....	2,545	-	-	2,545
Family selection services .....	10,101	-	-	10,101
Depreciation .....	79,006	-	-	79,006
ReStore expenses.....	621,231	-	-	621,231
Housing repair .....	113,711	-	-	113,711
Loss on sale of asset.....	-	2,448	-	2,448
Mortgage servicing .....	16,085	-	-	16,085
Public relations/Advertising .....	-	4,501	662	5,163
<b>Total Expenses.....</b>	<b><u>\$1,556,412</u></b>	<b><u>\$ 167,265</u></b>	<b><u>\$ 112,341</u></b>	<b><u>\$1,836,018</u></b>

See accompanying independent auditors' report and notes.

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

Statements of Functional Expenses  
For the Years Ended June 30, 2018 and 2017

	2017			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries.....	\$ 177,650	\$ 32,454	\$ 35,113	\$ 245,217
Taxes.....	13,509	2,408	2,381	18,298
Professional fees.....	3,248	13,287	-	16,535
Office supplies.....	-	1,366	1,010	2,376
Direct mail/postage.....	81	-	4,038	4,119
Benefits.....	-	25,044	-	25,044
Occupancy (Rent & Utilities).....	2,683	2,683	1,601	6,967
Telephone.....	2,682	4,713	-	7,395
Insurance.....	16,572	1,791	-	18,363
Interest.....	6,529	2,798	-	9,327
Repairs and maintenance.....	43,835	14,127	-	57,962
Computer software and supplies.....	-	11,039	-	11,039
Tools and minor equipment.....	1,834	-	-	1,834
Travel.....	8,846	2,952	-	11,798
Volunteer appreciation.....	1,076	75	-	1,151
Professional development.....	-	258	1,694	1,952
Other expenses.....	12,736	6,116	18,121	45,973
Construction and land development.....	265,182	-	-	265,182
Property taxes.....	-	-	-	-
Donation to affiliates.....	4,642	-	-	4,642
Discounts on mortgages issued.....	-	-	-	-
Family selection services.....	6,312	-	-	6,312
Depreciation.....	28,807	-	-	28,807
ReStore expenses.....	633,141	-	-	633,141
Housing repair.....	57,342	-	-	57,342
Loss on sale of asset.....	-	455	-	455
Mortgage servicing.....	16,426	-	-	16,426
Public relations/Advertising.....	-	<u>1,056</u>	<u>756</u>	<u>1,812</u>
 Total Expenses.....	 <u>\$1,312,133</u>	 <u>\$ 122,622</u>	 <u>\$ 64,714</u>	 <u>\$1,499,469</u>

See accompanying independent auditors' report and notes.

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

## Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from contributors	\$ 763,606	\$ 709,489
Cash received from grantors	11,644	11,644
Cash received from other exchange transactions	885,896	845,928
Cash paid to suppliers and employees	(1,726,771)	(1,494,189)
Cash paid for interest	<u>(8,889)</u>	<u>(9,327)</u>
Net cash provided by operating activities	<u>(74,514)</u>	<u>63,545</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from note/loan collections	288,456	401,957
Purchase of property and equipment	<u>(13,973)</u>	<u>(1,481,702)</u>
Net cash (used) provided by investing activities	<u>274,483</u>	<u>(1,079,745)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from debt borrowings	38,747	1,454,232
Repayments of debt borrowings	<u>(74,577)</u>	<u>(320,948)</u>
Net cash (used) provided by financing activities	<u>(35,830)</u>	<u>1,133,284</u>
Net increase in cash and cash equivalents	164,139	117,084
Cash and cash equivalents, beginning of year	<u>348,823</u>	<u>231,739</u>
Cash and cash equivalents, end of year	<u>\$ 512,962</u>	<u>\$ 348,823</u>
<b>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Change in net assets	\$ 31,075	\$ 292,242
Adjustments to reconcile change in net assets to net Cash provided by operating activities:		
Depreciation and amortization	(95,976)	(198,672)
(Gain) loss on sales of assets	2,448	455
Changes in assets and liabilities:		
Accounts receivable	3,293	3,435
Inventories	(5,089)	-
Prepaid expenses	(1,698)	(150)
Land held for development & CIP	(27,471)	(68,975)
Utility deposits	-	7,265
Earnest money	-	2,427
Accounts payable	<u>18,904</u>	<u>25,518</u>
Net cash (used) provided by operating activities	<u>\$ (74,514)</u>	<u>\$ 63,545</u>

See accompanying independent auditors' report and notes.

## BLOUNT COUNTY HABITAT FOR HUMANITY, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2018 and 2017

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Blount County Habitat for Humanity, Inc. (“Habitat”) is a nonprofit organization chartered by the State of Tennessee. Habitat is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a non-denominational Christian nonprofit organization whose purpose is to create safe, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat for Humanity International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. The purpose of the organization is to build and repair simple, safe, affordable homes for low-income families living within Blount County. To facilitate this purpose, the organization constructs houses using a significant amount of volunteer labor and some donated materials. The houses are then sold at no profit and financed by an approved third party lender that provides an affordable loan to qualified buyers.

In addition to constructing homes, Habitat operates the Habitat ReStore. The ReStore sells items donated by individuals and businesses at affordable prices to the public. All proceeds from the ReStore help fund the building of Habitat homes.

Basis of accounting – The financial statements of Habitat have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned, and expenses are recorded when the resulting liability is incurred.

Basis of presentation – Habitat is required to report information regarding its financial position and activities according to the following three classes of net assets:

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 will be met either by action of Habitat and/or the passage of time.

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

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents – For purposes of the statements of cash flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with original maturities of three (3) months or less at the time of acquisition. At June 30, 2018 and 2017, there were no cash equivalents.

(Continued)

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

Notes to the Financial Statements  
For the Years Ended June 30, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and equipment – Habitat capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded at cost, or if donated, at their estimated fair value at date of gift. Such donations are reported as unrestricted support 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 restricted support. Unless the donor has stipulated how long donated assets must be maintained, Habitat reports the expiration of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are transferred from restricted net assets to unrestricted net assets. Property and equipment are depreciated over the estimated useful lives of the assets (3 to 39 years) using the straight-line method.

Depreciation for the years ended June 30, 2018 and 2017 was \$79,006 and \$28,807, respectively.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Habitat reports the support as unrestricted.

Unconditional promises to give, including pledges recorded at estimated net realizable value, are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated materials and services – Habitat receives donated materials and supplies and a significant amount of volunteer time from various individuals and organizations primarily in the fulfillment of its construction program activities. Donated materials and supplies are reflected as contributions at their fair market value at the date of donation. Contributed services meeting the criteria of recognition are reflected in the financial statements at the fair value of the services received.

Transfers to homeowners – The sales price of the houses constructed by Habitat are derived by a fair market value appraisal. The first mortgage is determined by an ability to repay calculation and according to Habitat lending policy.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fund raising, management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Habitat.

Advertising – Advertising costs are expensed as incurred.

(Continued)

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

Notes to the Financial Statements  
For the Years Ended June 30, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income tax status - Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Under this section, the Organization is exempt from income taxes on its non-business related income. Business income, such as rental income received by the Organization that is unrelated to program activities, net of related expenses, may be subject to Federal income taxes. The Organization's Forms 990 *Return of Organization Exempt from Income Tax* for the years ended June 30, 2014, 2015, and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**NOTE 2 – COMPARATIVE TOTAL DATA**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in Habitat's financial position and operations. Certain comparative data for the prior year was reclassified to be comparable with June 30, 2018 accounts in the financial statements.

**NOTE 3 – MORTGAGE RECEIVABLES**

Habitat historically constructed homes and originated repayable, non-interest bearing first mortgages for qualifying families. Such mortgages are secured by the underlying real estate and are serviced by a third party servicer. These non-interest bearing notes have been discounted using a rate that is established by Habitat International each June 30. Discounts are amortized using the straight-line method over the life of the loan. In 2015, Habitat discontinued originating first mortgages. First mortgages are now originated by an approved lender and include interest.

Additional funding to cover the construction costs invested by Habitat may also include grants (e.g. HOME) and are structured as forgivable mortgages; each grant has its own terms, typically 5-15 years.

The final mortgage is a "silent" mortgage which represents the equity remaining after subtracting the first mortgage and any other notes or grant funding from the appraised value of the home. The Habitat subordinate mortgages begin to forgive on the 6<sup>th</sup> anniversary and reduce at a minimum of \$1,000 annually thereafter. This yields a typical term of 10-15 years. These silent, forgivable subordinates will be required to be repaid if the title transfers before they are forgiven or if the terms of the trust deed are broken. The first mortgage includes a monthly payment amount, the silent mortgage does not.

Management believes that all mortgage receivables are fully collectible and adequately collateralized; accordingly, no allowance for doubtful accounts has been established. The value of collateral has historically been more than adequate to cover any losses.

(Continued)

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

Notes to the Financial Statements  
For the Years Ended June 30, 2018 and 2017

**NOTE 3 – MORTGAGE RECEIVABLES (Continued)**

The carrying value of the non-interest-bearing mortgage loan receivables are shown net of the total unamortized discount as follows:

	<u>2018</u>	<u>2017</u>
Mortgage Loan Receivable.....	\$ 2,584,858	\$ 2,897,637
Unamortized Discount .....	<u>(1,475,169)</u>	<u>(1,650,151)</u>
	1,109,689	1,247,486
Less Current Portion.....	<u>(168,733)</u>	<u>(193,057)</u>
Long-Term Receivable .....	<u>\$ 940,956</u>	<u>\$ 1,054,429</u>

**NOTE 4 – GRANTS**

The following summarizes the grant activity during the fiscal year ended June 30, 2018 for the construction of homes:

<u>Grantor Agency</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Expenses</u>	<u>(Receivable) Balance June 30, 2018</u>
Housing Assistance Council	<u>\$ -</u>	<u>\$ 11,644</u>	<u>\$ 11,644</u>	<u>\$ -</u>

**NOTE 5 – CONCENTRATION OF REVENUES AND ACCOUNTS RECEIVABLE**

Habitat's housing program serves families residing in Blount County, Tennessee. Revenues for these mortgage receivables are from this area. Contributions are primarily from individuals, churches, businesses, and clubs within Blount County, Tennessee. Also, some support is received through grants as described in Note 3.

**NOTE 6 – CONSTRUCTION ACTIVITY**

Habitat constructs houses for low-income families in Blount County, Tennessee. Land is sometimes acquired that needs further development before construction can commence. All land and housing costs are presented in three classifications:

- Land Held for Development is land that needs to be further subdivided or improved before construction can begin on it.
- Improved Lots are lots that are ready for construction to begin.
- Construction in Progress are lots with houses that have begun construction and will likely be sold within one year.

(Continued)

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

Notes to the Financial Statements  
For the Years Ended June 30, 2018 and 2017

**NOTE 6 – CONSTRUCTION ACTIVITY (Continued)**

	<u>2018</u>		<u>2017</u>	
Land Held for Development	-	(1 lot)	\$	49,115
Improved Lots	(8 lots) 151,859	(11 lots)		203,565
Construction in Progress	(4 projects) 264,866	(2 projects)		136,575

**NOTE 7 – LINE OF CREDIT**

Habitat has a \$400,000 revolving line of credit from a bank with an interest rate of prime less 4%. At June 30, 2018, there was no outstanding balance and at June 30, 2017 there was no outstanding balance. When being utilized, the note is collateralized by mortgage notes receivable.

**NOTE 8 – LONG-TERM DEBT**

Long-term debt consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Non-interest bearing note of \$22,500, unsecured obligation under agreement with Habitat for Humanity International, a related party, with payment of \$468 per month, beginning January 2017 for 48 consecutive months with a final payment of \$504. ....	\$ 14,076	\$ 19,692
Note payable, due to a bank, secured by real property, monthly installments of \$1,705, 4.75% interest, 59 payments due September 2019 with a final payment of \$163,403	176,745	188,311
Interest bearing note of \$38,747, with Housing Assistance Council (HAC), a grantor agency, with single payment of 10% of loan balance due at closing of loan. Full balance is due upon HAC approval. Note is secured by property.....	38,747	12,938

(Continued)

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

Notes to the Financial Statements  
For the Years Ended June 30, 2018 and 2017

**NOTE 8 – LONG-TERM DEBT (Continued)**

Non-interest bearing note of \$5,807, unsecured obligation under agreement with Habitat for Humanity International, a related party, with payment of \$120 per month, beginning January 2017 for 48 consecutive months with a final payment of \$167. ....	3,647	5,087
Note payable, due to individual, secured by building, monthly installments of \$9,503, 5% interest, 240 payments due July 2037. Individual has option to call note at end of year three.....	<u>1,396,983</u>	<u>1,440,000</u>
	1,630,198	1,666,028
Less: current portion .....	<u>(88,378)</u>	<u>(62,569)</u>
	<u>\$ 1,541,820</u>	<u>\$ 1,603,459</u>

Future maturities of the debt are as follows:

2019	\$ 88,378
2020	49,631
2021	46,186
2022	42,575
2023	42,575
Thereafter	<u>1,360,853</u>
	<u>\$ 1,630,198</u>

**NOTE 9 – RENTAL INCOME**

During 2007, Habitat began renting space to tenants within the office building under various operating leases. The lease terms vary from one to three years and expire at various dates.

Following is a summary of property held for lease at June 30, 2018:

3,711 square feet of 9,004 square feet of building	\$ 563,767
Less: Accumulated depreciation	<u>(173,467)</u>
	<u>\$ 390,300</u>

(Continued)

**BLOUNT COUNTY HABITAT FOR HUMANITY, INC.**

Notes to the Financial Statements  
For the Years Ended June 30, 2018 and 2017

**NOTE 9 – RENTAL INCOME (Continued)**

Minimum future rentals to be received on the leases as of June 30, 2018 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	<u>\$ 37,113</u>

These rentals may result in unrelated trade or business income that is subject to federal income taxes after any directly related expenses are deducted.

**NOTE 10 – TRANSACTIONS WITH HABITAT INTERNATIONAL**

Habitat annually remits a percentage of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. During the years ended June 30, 2018 and 2017, Habitat remitted to Habitat International contributions of \$2,545 and \$4,642, respectively. Such amounts are included in program services expense in the Statement of Activities and in the Statement of Functional Expenses as “Donations to Affiliates.”

**NOTE 11 – CASH IN EXCESS OF FDIC INSURED LIMITS**

Habitat maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Habitat has not experienced any losses in such accounts.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

Through an agreement with THDA, Habitat guarantees first mortgages for some of its homebuyers. At June 30, 2018, 47 homes were covered by this provision. Habitat would be obligated in the event that one or more of the homeowners were unable to meet the principal payments when they become due. At June 30, 2018, the estimated value of the outstanding guarantees was \$2,674,887. In the event of nonpayment by the homebuyer, these loans are collateralized by the homeowner’s property. Habitat has experienced no losses from these liabilities and does not believe that a contingent liability should be presented on the statement of financial position.

**NOTE 13 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2018, the date of the most recent financial statements, have been evaluated for possible adjustments to the financial statements or disclosures is December 11, 2018, which is the date on which the financial statements were issued.