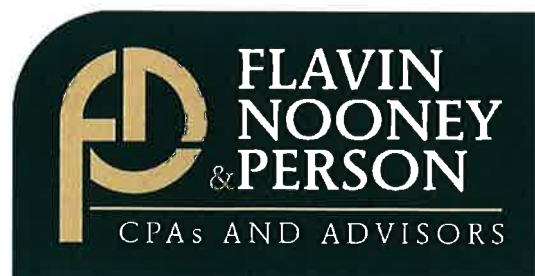




**HABITAT FOR HUMANITY
OF BREVARD COUNTY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**



HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Habitat for Humanity of Brevard County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Brevard County, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Brevard County, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Flavin, Nooney & Person
Melbourne, FL
October 26, 2018

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

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,200,232	\$ 1,210,961
Mortgages receivable, current portion	351,831	355,111
Agent mortgages receivable, current portion	4,624	6,068
Inventory	30,588	13,386
Construction in progress	680,614	367,581
ReStore inventory	73,142	93,540
Investments	-	4,398
Prepaid expenses	5,583	-
Other assets	4,334	1,568
Total Current Assets	2,350,948	2,052,613
Property and Equipment		
(net of accumulated depreciation of \$216,440 and \$168,837, respectively)	1,206,199	1,212,233
Other Assets		
Restricted cash	55,986	34,374
Restricted investments	-	25,000
Long-term inventory	550,984	595,039
Mortgages receivable, long-term net of a discount of \$2,914,299 and \$2,967,964, respectively	2,651,688	2,674,394
Agency mortgages receivable, long-term	109,864	111,821
Total Other Assets	3,368,522	3,440,628
Total Assets	\$ 6,925,669	\$ 6,705,474

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

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

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 106,514	\$ 98,010
Homeowner deposits for new homes	16,300	14,050
Homeowner escrow deposits	119,831	130,851
Current portion of long-term debt	46,629	87,378
Current portion of agent mortgages payable	4,624	6,068
Total Current Liabilities	293,898	336,357
Long-Term Liabilities		
Long-term debt, net of current portion	576,941	577,948
Agent mortgages payable, net of current portion	109,864	111,821
Total Long-Term Liabilities	686,805	689,769
Total Liabilities	980,703	1,026,126
Net Assets		
Without donor restrictions	5,858,129	5,615,643
With donor restrictions	86,837	63,705
Total Net Assets	5,944,966	5,679,348
Total Liabilities and Net Assets	\$ 6,925,669	\$ 6,705,474

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

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			Summarized 2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues				
Contributions				
Cash	\$ 118,295	\$ 253,447	\$ 371,742	\$ 524,000
ReStore merchandise	880,182	-	880,182	982,162
In-kind	8,038	-	8,038	38,891
Grants and contracts	1,000	-	1,000	-
Special events	164,418	-	164,418	161,651
Home sales and late fees	486,293	-	486,293	810,232
Mortgage discount amortization	287,947	-	287,947	271,571
ReStore sales	925,926	-	925,926	957,816
Gain on sale of assets	18,446	-	18,446	-
Gain on foreclosed homes	7,468	-	7,468	11,733
Miscellaneous revenue	582	-	582	667
Net assets released from restrictions	230,315	(230,315)	-	-
Total Support and Revenues	3,128,910	23,132	3,152,042	3,758,723
Expenses				
Program services				
Mortgage program	550,449	-	550,449	907,082
Construction	492,905	-	492,905	824,562
ReStore	1,510,011	-	1,510,011	1,347,405
Supporting services				
Fundraising	231,321	-	231,321	184,173
Management and general	101,738	-	101,738	86,675
Total Expenses	2,886,424	-	2,886,424	3,349,897
Changes in Net Assets	242,486	23,132	265,618	408,826
Net Assets, Beginning of Year	5,615,643	63,705	5,679,348	5,270,522
Net Assets, End of Year	\$ 5,858,129	\$ 86,837	\$ 5,944,966	\$ 5,679,348

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

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Summarized
2017

2018

Expenses	Program Services				Support Services			Total
	Mortgage Program	Program Services		Management And General	Total Support Services	Total		
		Construction	ReStore				Total Program Services	
Accounting	\$ 6,250	\$ -	\$ 3,000	\$ 9,250	\$ -	\$ 3,000	\$ 12,250	\$ 12,000
Advertising	16,515	-	11,145	27,660	15,304	70	43,034	24,241
Mortgage discount expense	234,552	-	-	234,552	-	-	234,552	408,107
Closing costs	-	9,074	-	9,074	-	-	9,074	16,676
Construction	-	129,318	-	129,318	-	-	129,318	439,051
Consulting fees	-	-	-	-	-	-	-	500
Costs of goods sold	-	-	900,580	900,580	-	-	900,580	931,886
Food	2,573	1,435	570	4,578	16,967	109	21,654	17,355
Fuel	-	2,418	12,826	15,244	-	-	15,244	13,423
Fundraising supplies	-	-	-	-	13,989	-	13,989	16,820
Information technology	14,166	-	2,694	16,860	6,895	64	23,819	17,689
Insurance	5,833	19,408	11,457	36,698	1,593	1,274	39,565	50,127
Interest	4,529	533	21,464	26,526	266	266	27,058	24,397
Land sold	-	15,000	-	15,000	-	-	15,000	80,423
Legal	1,396	-	-	1,396	-	-	1,396	6,355
Licenses and taxes	6,415	369	701	7,485	-	-	7,485	2,636
Miscellaneous	11,664	5,168	19,034	35,866	10,156	755	46,777	92,402
Office supplies and postage	10,373	-	6,108	16,481	999	118	17,598	21,333
Rental equipment	9,185	-	24,503	33,688	3,417	24	37,129	36,035
Repairs and maintenance	4,032	1,462	9,184	14,678	-	7	14,685	10,568
Salaries and benefits	205,371	302,553	347,265	855,189	152,039	89,753	1,096,981	892,110
Telephone	5,458	854	17,096	23,408	2,849	2,849	29,106	28,898
Tithe	-	-	62,858	62,858	-	-	62,858	106,255
Training and travel	3,904	2,960	1,300	8,164	1,861	1,610	11,635	15,681
Utilities	3,679	2,089	9,472	15,240	1,839	1,839	18,918	18,310
Total Expenses Before Depreciation and Bad Debt Expense	545,895	492,641	1,461,257	2,499,793	228,174	101,738	2,829,705	3,283,278
Depreciation	4,150	264	48,754	53,168	3,147	-	56,315	48,158
Bad debt expense	404	-	-	404	-	-	404	18,461
Total Functional Expenses	\$ 550,449	\$ 492,905	\$ 1,510,011	\$ 2,553,365	\$ 231,321	\$ 101,738	\$ 2,886,424	\$ 3,349,897

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

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

	2018	2017
Reconciliation of Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Change in net assets	\$ 265,618	\$ 408,826
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	56,315	48,158
Mortgage loan discount amortization	(287,947)	(271,571)
Gain on foreclosed homes	(7,468)	(11,733)
Unrealized gain on investments	-	(366)
Realized gain on investments	(73)	-
(Increase) decrease in assets		
Agent mortgages receivable	3,401	35,843
Inventory	26,853	77,324
Construction in progress	(313,033)	(108,893)
Restore inventory	20,398	(50,276)
Prepaid expenses	(5,583)	24,941
Deposits	(2,767)	2,600
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	8,504	42,840
Homeowner deposits for new homes	2,250	(2,853)
Homeowner escrow deposits	(11,020)	(8,389)
Agent mortgages payable	(3,401)	(35,843)
Cash Provided (Used) by Operating Activities	(247,953)	150,608
Cash Flows from Investing Activities		
Mortgages issued, net of unamortized discounts	(189,015)	(299,367)
Mortgage payments received	510,417	536,208
Proceeds from maturity of certificate of deposit	25,000	-
Proceeds from sale of investments	4,472	-
Purchase of property and equipment	(51,032)	(7,501)
Proceeds from sale of property, plant and equipment	750	-
Cash Provided by Investing Activities	300,592	229,340
Cash Flows from Financing Activities		
Payments on long-term borrowings	(41,756)	(56,992)
Cash Provided (Used) by Financing Activities	(41,756)	(56,992)
Net Increase (Decrease) in Cash	10,883	322,956
Cash and Cash Equivalents, Beginning of Year	1,245,335	922,379
Cash and Cash Equivalents, End of Year	\$ 1,256,218	\$ 1,245,335
Cash and Cash Equivalents	\$ 1,200,232	\$ 1,210,961
Restricted Cash	55,986	34,374
Cash and Cash Equivalents, End of Year	\$ 1,256,218	\$ 1,245,335
Supplemental Disclosures of Noncash Investing and Financing Activities:		
Net book value of properties acquired through foreclosure from loans	\$ 42,176	\$ 9,040

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity of Brevard County, Inc. (the “Organization”) is a nonprofit, Christian affordable housing developer dedicated to the elimination of substandard housing in Brevard County, Florida. It is affiliated with Habitat for Humanity International, Inc. (“HFHI”) based in Americus, Georgia.

To be considered for home ownership, families must be low-income families who demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with the Organization. The partnership consists, in part, of each family completing 200 hours of “sweat equity” and meeting monthly mortgage payments. Houses are sold at no profit and with no interest on the mortgage.

The Organization also operates a ReStore. The ReStore program provides access to quality used building materials and household items to economically disadvantage people to help them create a better human habitat in which to live and work. The ReStore receives donated materials and sells them.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

The Organization is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is classified as other than a private foundation. Contributions to the Organization qualify as deductions for charitable contributions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, and all liquid debt instruments with original maturities of three months or less.

Restricted Cash

Restricted cash consists of amounts held imposed by donor restrictions. The Organization has \$30,297 and \$34,374 temporarily restricted cash balances for the Critical Home Repair Program at June 30, 2018 and 2017, respectively. The Organization has \$25,689 and \$25,000 of permanently restricted cash balances for the Helping Hands Program at June 30, 2018 and 2017, respectively.

Property and Equipment

The Organization capitalizes the cost of all expenditures for property and equipment with a useful life greater than one year. Donation of property and equipment are recorded as support at their estimated fair value. Property and equipment are depreciated using the straight-line method over the assets' expected useful lives.

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Homeowner Escrow Deposits

The Organization services the mortgages on homes the Organizations sells. Included in cash are amounts received from homeowners for insurance and property taxes (escrow funds). These funds are disbursed when these expenditures are due.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Home Sales and Mortgages Receivable

Home sales represent the sale to qualified families of houses built in Brevard County by the Organization. The home sales are financed by the Organization utilizing non-interest bearing 20 to 30 year mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate, and are less than the appraised value of the home; therefore, there is no allowance for doubtful accounts. The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing determined by HFHI. The financing discounts are amortized and reflected as revenue when mortgage payments are collected. There are \$756,009 and \$335,094 of mortgages receivable at June 30, 2018 and 2017, respectively, that are over 90 days old.

The present value discount on mortgages for homes sold is shown as amortization of discount in mortgages receivable within the mortgage program. Mortgages are placed on nonaccrual status when they are foreclosed.

Construction in Progress

Construction in progress represents home construction and land costs incurred on incomplete homes in progress and completed homes not yet conveyed to the recipient family. Costs include direct material and labor costs and those indirect costs related to construction completion such as indirect labor and fringe benefits. The Organization also allocates overhead to construction projects. Construction in progress is expensed to construction expense within the Construction program when the home is transferred to the recipient family.

Inventory

Inventory consists of land, purchased or donated, and foreclosed land and homes that have not yet been transferred to a family. The land is valued at fair value, which is the purchase price, or the appraised value at the date of donation.

The Organization records foreclosed land at fair market value at the date of foreclosure. The Organization recognized \$7,468 and \$11,733 of gain on foreclosed homes in the fiscal years ending June 30, 2018 and 2017, respectively.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contribution Revenue

Contributions are recognized when donors make a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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 functional expenses. Accordingly, certain costs have been allocated among the program and supporting service categories. Allocations are based primarily on the actual costs incurred by the activity or square footage of space utilized for the activity.

Advertising

The Organization’s advertising costs are expensed as incurred. Advertising expenses for the year ended June 30, 2018 and 2017 were \$43,034 and \$24,241, respectively, of which \$500 and \$4,025, respectively, were in-kind donations.

In-Kind Donations

In-kind donations include the value of items donated for resale, as well as advertising and other supplies or services that the Organization would have to purchase if not otherwise donated. In-kind donations consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Items donated for resale in ReStore	\$ 880,182	\$ 982,162
Donated advertising, other supplies and services	<u>8,038</u>	<u>38,891</u>
Total In-kind donations	<u>\$ 888,220</u>	<u>\$ 1,021,053</u>

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

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances with several financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount of credit exposure in excess of federally insured limits at June 30, 2018 and 2017 was \$714,452 and \$790,583, respectively.

NOTE 3 – COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 4 – MORTGAGES RECEIVABLE

Mortgages receivable (including agent mortgage receivables) consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Mortgages receivable	\$ 6,032,305	\$ 6,115,358
Financing discount based upon imputed interest at rates ranging from 7.39% to 7.81%	<u>(2,914,298)</u>	<u>(2,967,964)</u>
	<u>\$ 3,118,007</u>	<u>\$ 3,147,394</u>

Future maturities of the mortgages receivable for the year ended June 30, 2018, are as follows:

Year ending June 30:	
2019	\$ 359,497
2020	351,082
2021	340,411
2022	329,038
2023	359,146
Thereafter	<u>4,293,131</u>
	<u>\$ 6,032,305</u>

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

NOTE 5 – FORGIVABLE MORTGAGES

In addition to the first mortgages, which make up the mortgages receivable, the Organization also has forgivable mortgages. These mortgages are for the difference between the fair market value of the house and the total of all other mortgages. Some homeowners receive forgivable mortgages from municipalities that reduce the forgivable mortgage they receive from the Organization.

The Organization’s forgivable mortgages originated prior to June 30, 2014, are forgiven in equal installments on the anniversary of the mortgage over ten to thirty years. Forgivable mortgages originated subsequent to June 30, 2014, are forgiven when the first mortgage is paid off. These mortgages are non-interest bearing.

Forgivable mortgages as of June 30:

	<u>2018</u>	<u>2017</u>
Forgivable mortgages receivable	\$ 939,487	\$ 1,084,021
Financing discount based upon imputed interest at rates ranging from 7.39% to 7.81%	<u>(371,714)</u>	<u>(437,555)</u>
Net forgivable mortgages	567,773	646,466
Less allowance for doubtful accounts	<u>(567,773)</u>	<u>(646,466)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs to the valuation methodology is based on observable quoted prices for similar assets and liabilities in active markets.

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

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

Level 3: Inputs to the valuation methodology are based on inputs that are unobservable and by little or no market activity, therefore requiring management’s best estimate of what market participants would use as fair value.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 or 2016.

Mortgages receivable: Valued at amortized cost.

Common Stock: Valued at quoted market prices.

Certificates of deposit: Valued at fair value by discounting the related cash flows based on current yields of similar investments with comparable durations considering the credit-worthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Carrying Amount</u>
Mortgages receivable	\$ -	\$ -	\$ 3,003,519	\$ 3,003,519
Agent mortgages receivable	-	-	114,488	114,488
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,118,007</u>	<u>\$ 3,118,007</u>

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

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as June 30, 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Carrying Amount</u>
Mortgages receivable	\$ -	\$ -	\$ 3,029,505	\$ 3,029,505
Agent mortgages receivable	-	-	117,889	117,889
Common stock	1,805	-	-	1,805
Certificates of Deposit	-	27,593	-	27,593
	<u>\$ 1,805</u>	<u>\$ 27,593</u>	<u>\$ 3,147,394</u>	<u>\$ 3,176,792</u>

Level 3 Gains and losses

The following table sets forth a summary of changes in the fair value of the plan’s level 3 assets for the year ended June 30, 2018.

	<u>Mortgages Receivable</u>	<u>Agent Mortgages Receivable</u>
Beginning balance	\$ 3,029,505	\$ 117,889
Issuances, net	238,660	-
Foreclosures	(42,176)	-
Payments	(510,417)	(3,401)
Amortization of interest	287,947	-
Ending balance	<u>\$ 3,003,519</u>	<u>\$ 114,488</u>

The following table sets forth a summary of changes in the fair value of the plan’s level 3 assets for the year ended June 30, 2017.

	<u>Mortgages Receivable</u>	<u>Agent Mortgages Receivable</u>
Beginning balance	\$ 2,983,042	\$ 153,732
Issuances, net	299,367	14,610
Foreclosures	(10,879)	(44,385)
Payments	(513,596)	(6,068)
Amortization of interest	271,571	-
Ending balance	<u>\$ 3,029,505</u>	<u>\$ 117,889</u>

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

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

Property and equipment consists of the following at June 30, 2018:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Estimated Life</u>
Vehicles	\$ 121,331	\$ 57,195	\$ 64,136	5 years
Furniture and fixtures	18,940	14,056	4,884	5 years
Office equipment	18,840	13,614	5,226	5 years
Building	641,580	85,681	555,899	30 years
Building improvements	461,948	45,894	416,054	30 years
Land	<u>160,000</u>	<u>-</u>	<u>160,000</u>	
Total	<u>\$ 1,422,639</u>	<u>\$ 216,440</u>	<u>\$ 1,206,199</u>	

Property and equipment consists of the following at June 30, 2017:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Estimated Life</u>
Vehicles	\$ 86,078	\$ 43,787	\$ 42,291	5 years
Furniture and fixtures	17,250	11,556	5,694	5 years
Office equipment	17,038	11,599	5,439	5 years
Building	641,580	69,230	572,350	30 years
Building improvements	459,124	32,665	426,459	30 years
Land	<u>160,000</u>	<u>-</u>	<u>160,000</u>	
Total	<u>\$ 1,381,070</u>	<u>\$ 168,837</u>	<u>\$ 1,212,233</u>	

Depreciation expense for 2018 and 2017 was \$56,315 and \$48,158, respectively.

NOTE 8 – LINE OF CREDIT

The Organization has a \$525,000 line of credit from Brevard County Housing Finance Authority. At June 30, 2018 and 2017, the outstanding amount under the line of credit was \$0. There is no interest on the line of credit. The money must be used for purchases of land or property. The line expires July 31, 2020.

NOTE 9 – RELATED PARTY AND AFFILIATES

The Organization tithes to Habitat for Humanity International, Inc. and remitted \$62,858 and \$106,255 during the years ended June 30, 2018 and 2017, respectively.

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

NOTE 10 – OPERATING LEASE OBLIGATION

The Organization leases a mail meter, copy machine, telephone system, alarm system and cash register under operating leases with lease terms of 36 to 63 months with monthly payments ranging from \$25 to \$2,010.

Minimum future rental payments under non-cancelable operating lease as of June 30, 2018, are for the years ending June 30:

2019	\$	27,294
2020		<u>18,162</u>
Total	\$	<u><u>45,456</u></u>

The total rent expense for the years ended June 30, 2018 and 2017 was \$37,129 and \$36,035, respectively.

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is the summary of accounts payable and accrued expenses as of June 30:

	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 37,059	\$ 32,976
Accrued payroll	15,591	14,930
Accrued leave	41,767	34,454
Other accrued expenses	<u>12,097</u>	<u>15,650</u>
	<u>\$ 106,514</u>	<u>\$ 98,010</u>

NOTE 12 – AGENT ACCOUNTS

The Organization administers some mortgages for the City of Titusville. The mortgages are separately stated on the statement of financial position as agent mortgages receivable, and are offset by agent mortgages payable. The mortgages payable to Titusville are repaid when the money is received from the homeowners.

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

NOTE 13 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
During the year ended June 30, 2018, the Organization refinanced a mortgage note payable to a bank for \$562,000. The mortgage note bears interest at 4.30%, is payable in monthly installments of \$4,261, and matures in June 2032. The mortgage note is secured by the land and building of the Organization.	\$ 552,306	\$ 566,518
During the year ending June 30, 2016, the Organization obtained a mortgage note payable to a bank for \$95,000 for repairs to the building. The mortgage note bears interest at 4.618%, is payable in monthly installments of \$1,326, and matures in October 2022. The mortgage note is secured by the land and building of the Organization.	66,448	75,081
During the year ending June 30, 2016, the Organization purchased a vehicle and obtained a note payable from a financing company for \$55,584. The note bears interest at 2.76%, is payable in monthly installments of \$1,611, and matures in October 2018. The mortgage note is secured by vehicle.	<u>4,816</u>	<u>23,727</u>
	<u>623,570</u>	<u>665,326</u>
Less current portion	<u>46,629</u>	<u>87,378</u>
Total long-term debt	<u>\$ 576,941</u>	<u>\$ 577,948</u>

Future annual maturities of the long-term debt as of June 30, 2018 are as follows:

2019	\$	46,629
2020		43,691
2021		45,654
2022		47,694
2023		39,097
Thereafter		<u>400,805</u>
Total		<u>\$ 623,570</u>

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

NOTE 14 – RETIREMENT PLAN

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering all employees. The Organization does not contribute to the plan.

NOTE 15 – FUNDRAISING

The Organization received approximately 4% of its total revenue from fundraising, including in-kind revenue, for the years ending June 30, 2018 and 2017.

NOTE 16 – INCOME TAXES

The Organization is exempt from federal and state income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Therefore, only income from business unrelated to the Organization's charitable purpose is subjected to federal or state income tax. The Organization's tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2018, tax years ending on or after June 30, 2014 remain subject to examination.

NOTE 17 – ENDOWMENT

The Organization's endowment consist of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as adopted by the State of Florida and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose or time restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Organization has interpreted FUPMIFA, as not requiring the maintenance of purchasing power of the original gifts amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) and accumulations to the fund

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

NOTE 17 – ENDOWMENT (Continued)

that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted FUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. Additionally, in accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The Organization's policy is to comply with the endowment's originally established policy. All earnings are retained by the fund. As of June 30, 2018, the endowment fund balance of \$25,689 was held as net assets with donor restriction.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Organization works closely with and relies on investment advisors to ensure that assets are invested in a manner intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, overtime, to produce an average rate of return of approximately 5% annually. To satisfy its long-term rate-of-return objectives, the Organizations relies on its investment advisors to develop a strategy which will meet the Organization's needs.

NOTE 18 – DONATED SERVICES

Donated services with an estimated value of \$450,246 and \$376,639 for the years ended June 30, 2018 and 2017, respectively, were not recognized in the financial statements because they did not meet the criteria for recognition. Donated services are estimated strictly for maintaining the Organization's tax-exempt status.

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

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2018, the date that the financial statements were available for issue.

NOTE 20 – RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE 21 – RESTRICTED NET ASSETS

Net assets with donor restrictions as of June 30, 2018 consist of the following:

Critical home repair program	\$ 30,297
Individual and corporate restricted	30,851
Endowment	<u>25,689</u>
Total	\$ <u>86,837</u>

NOTE 22 – CHANGE IN ACCOUNTING POLICY

In August of 2016 the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* which improves the Organization's net asset classification requirements and the information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows. The Organization has elected early implementation of this guidance, which is effective for fiscal years beginning after December 15, 2017. The result is the presentation of net assets in two net asset classes, *net assets with donor restrictions* and *net assets without donor restriction*. There has been no change in results of operations or in net assets as a result of the implementation of the standard.

NOTE 23 - LIQUIDITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit which it could draw upon.

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

NOTE 23 - LIQUIDITY (Continued)

The Organizations financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,200,232
Mortgages receivable, net	351,831
Prepaid expense	5,583
Restore Inventory	73,142
Other assets	<u>4,334</u>
	<u>\$ 1,635,122</u>