HABITAT FOR HUMANITY OF EVANSVILLE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

(With Independent Auditor's Report Thereon)

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity of Evansville, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Evansville, 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 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 Evansville, 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.

Riney Hancock CPAs PSC

Evansville, Indiana
September 26, 2017

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash	$ 2,461,697	$ 2,159,544
Promises to give, current	566,758	754,900
Houses available for sale	130,839	61,013
Construction in process	537,255	212,375
Land held for development	418,275	438,935
Current portion of mortgages receivable, net	636,870	631,204
Other current assets	32,723	15,206
Total current assets	4,784,417	4,273,177
Other assets:		
Mortgages receivable, net	3,623,652	3,603,215
Investment in joint venture	2,237,608	2,261,379
Promises to give, net	376,314	934,666
Intangible assets, net	11,286	28,213
Beneficial interest in assets held by community foundation	35,539	32,123
Property and equipment, net	145,648	15,737
Total other assets	6,430,047	6,875,333
Total assets	$ 11,214,464	$ 11,148,510
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 90,488	$ 6,277
Accrued expenses	26,529	23,251
Other current liabilities	6,960	870
Total current liabilities	123,977	30,398
Long-term debt	3,111,128	3,107,438
Total liabilities	3,235,105	3,137,836
Net assets:		
Unrestricted	6,980,770	6,288,985
Temporarily restricted	963,050	1,689,566
Permanently restricted	35,539	32,123
Total net assets	7,979,359	8,010,674
Total liabilities and net assets	$ 11,214,464	$ 11,148,510

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:								
Contributions and grants	$ 1,098,567	$ 77,442	$ 1,550	$ 1,177,559	$ 2,126,802	$ 1,563,540	$ 600	$ 3,690,942
Sales of homes	863,548	-	-	863,548	548,576	-	-	548,576
Mortgage discount amortization	390,305	-	-	390,305	387,030	-	-	387,030
In-kind donations	69,551	-	-	69,551	67,413	-	-	67,413
Interest	1,949	-	-	1,949	1,181	-	-	1,181
Other income	25,463	-	-	25,463	5,833	-	-	5,833
Change in beneficial interest in assets held by community foundation	-	-	1,866	1,866	-	-	(3,254)	(3,254)
Net assets released from restrictions	803,958	(803,958)	-	-	75,815	(75,815)	-	-
Total revenue and other support	3,253,341	(726,516)	3,416	2,530,241	3,212,650	1,487,725	(2,654)	4,697,721
Expenses:								
Program service:								
Construction costs	1,219,394	-	-	1,219,394	840,503	-	-	840,503
Other program costs	918,217	-	-	918,217	674,971	-	-	674,971
General and administrative	169,071	-	-	169,071	138,572	-	-	138,572
Fundraising	254,874	-	-	254,874	202,841	-	-	202,841
Total expenses	2,561,556	-	-	2,561,556	1,856,887	-	-	1,856,887
Change in net assets	691,785	(726,516)	3,416	(31,315)	1,355,763	1,487,725	(2,654)	2,840,834
Net assets, beginning of year	6,288,985	1,689,566	32,123	8,010,674	4,933,222	201,841	34,777	5,169,840
Net assets, end of year	$ 6,980,770	$ 963,050	$ 35,539	$ 7,979,359	$ 6,288,985	$ 1,689,566	$ 32,123	$ 8,010,674

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2017 and 2016

	2017					2016				
	Program Service					Program Service				
	Construction Costs	Other	General & Admin.	Fund-raising	Total	Construction Costs	Other	General & Admin.	Fund-raising	Total
Building costs	$ 1,027,907	$ -	$ -	$ -	$ 1,027,907	$ 674,955	$ -	$ -	$ -	$ 674,955
Mortgage discount	-	475,563	-	-	475,563	-	296,639	-	-	296,639
Salaries	156,358	131,152	71,590	135,630	494,730	131,636	120,279	58,451	110,372	420,738
Employee benefits	21,946	14,063	8,675	12,432	57,116	22,378	14,373	7,906	12,499	57,156
Advertising	-	-	-	4,328	4,328	-	-	-	6,055	6,055
Amortization	-	16,927	-	-	16,927	-	16,928	-	-	16,928
Bank charges	-	20,659	1,597	-	22,256	-	19,352	3,168	-	22,520
Depreciation	-	8,792	1,809	-	10,601	-	4,900	5,023	-	9,923
Insurance	-	4,055	1,594	-	5,649	-	4,062	1,496	-	5,558
Interest	-	27,465	-	-	27,465	-	27,465	-	-	27,465
Miscellaneous	-	9,405	329	11,335	21,069	-	8,910	1,290	1,067	11,267
Mortgage servicing	-	31,762	-	-	31,762	-	32,969	-	-	32,969
Office	-	5,531	22,781	-	28,312	-	6,434	20,836	-	27,270
Payroll taxes	13,183	9,750	5,709	10,669	39,311	11,534	9,439	4,815	8,852	34,640
Printing & postage	-	14,202	282	42,870	57,354	-	9,119	760	38,111	47,990
Professional fees	-	20,849	12,017	-	32,866	-	24,010	11,562	9,128	44,700
Rent	-	37,070	12,617	-	49,687	-	23,400	9,600	-	33,000
Repairs & maintenance	-	15,378	-	-	15,378	-	4,620	-	-	4,620
Special events	-	-	-	33,346	33,346	-	-	-	14,228	14,228
Supplies	-	13,138	-	1,865	15,003	-	3,758	-	1,058	4,816
Telephone & internet	-	5,625	2,505	-	8,130	-	5,790	2,631	-	8,421
Tithe & contributions	-	39,900	-	-	39,900	-	29,100	-	-	29,100
Travel & education	-	6,001	18,629	2,399	27,029	-	3,946	5,537	1,471	10,954
Utilities	-	5,712	1,484	-	7,196	-	4,570	1,307	-	5,877
Volunteer	-	5,218	7,453	-	12,671	-	4,908	4,190	-	9,098
	$ 1,219,394	$ 918,217	$ 169,071	$ 254,874	$ 2,561,556	$ 840,503	$ 674,971	$ 138,572	$ 202,841	$ 1,856,887

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (31,315)	$ 2,840,834
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	27,528	26,851
Origination of mortgages	(863,417)	(540,002)
Transfer of homes to Habitat	50,275	10,674
Mortgage discount	475,563	296,639
Mortgage discount amortization	(390,305)	(387,030)
Donated land	-	(12,500)
Donated property and equipment	(11,256)	(2,000)
Change in beneficial interest in assets held by community foundation	(1,866)	3,254
Decrease (increase) in assets:		
Houses available for sale	(69,826)	4,703
Construction in process	(324,880)	(6,969)
Land held for development	20,660	(8,322)
Promises to give	746,494	(1,497,072)
Other current assets	(17,517)	4,960
Increase (decrease) in liabilities:		
Accounts payable	84,211	(33,204)
Accrued expenses	3,278	(27,397)
Other current liabilities	6,090	(730)
Net cash provided by (used in) operating activites	(296,283)	672,689
Cash flows from investing activities:		
Principal collected on mortgages	701,781	702,020
Purchases of property and equipment	(129,256)	(11,560)
Distribution from joint venture	23,771	23,770
Transfer to beneficial interest in assets held by community foundation	(1,550)	(600)
Net cash provided by investing activities	594,746	713,630
Net increase in cash	302,153	1,390,009
Cash, beginning of year	2,159,544	769,535
Cash, end of year	$ 2,461,697	$ 2,159,544
Supplemental disclosure of cash flow information:		
Interest paid	$ 23,775	$ 23,775

See Notes to Financial Statements.

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

Habitat for Humanity of Evansville, Inc. (Habitat) was founded in 1984 as a not-for-profit organization. Habitat's mission is to build safe, decent and affordable houses with low-income families in partnership with God's people in need in Vanderburgh and Posey counties in Indiana. Habitat is an affiliate of Habitat for Humanity International, Inc. (HFHI), a Christian not-for-profit organization that seeks to eliminate poverty housing from the world and to make decent shelter a matter of conscience and action. Although HFHI assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Habitat builds houses utilizing volunteer labor and donated materials, in addition to paid services and materials. The houses are sold to qualified homebuyers at no profit with non-interest-bearing mortgages. Prospective homeowners must have a need for housing, the ability to pay the mortgage, and are required to participate in the construction of homes.

Basis of Presentation

Habitat reports 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.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Houses Available for Sale and Land Held for Development

Houses available for sale represent the cost of homes that Habitat has received from a qualifying family due to foreclosure on the mortgage.

Land held for development is stated at cost and includes land under development, developed lots, and capitalized property taxes and other costs incurred for development. Donated land is recorded as a contribution at the estimated value at the date of receipt. If donors stipulate a time period during which the land must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of land are recorded as unrestricted support.

1. Organization and Summary of Significant Accounting Policies, Continued

Houses Available for Sale and Land Held for Development, Continued

Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable.

Construction In Process

Costs incurred in conjunction with home construction are capitalized as construction in process. Capitalized construction costs are expensed when ownership transfers to the homeowners. Any post-settlement costs are expensed as incurred.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received, net of an allowance for uncollectible amounts. Management utilizes the allowance method of accounting for uncollectible promises to give, based on historical collection experience and current economic conditions. Promises to give are recorded at net realizable value. Promises to give expected to be collected in more than one year are discounted to the present value of future cash flows using a 1.63% discount rate.

Mortgages Receivable & Allowance

Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Mortgages have an original maturity of 20 to 25 years and arise in connection with Habitat's home building initiatives. Mortgages are discounted based on prevailing market rates for low income housing at the inception of mortgages, as provided by Habitat for Humanity International, Inc., and range from 7.39% to 8.48%. Discounts are amortized using the straight-line method over the term of the mortgages.

Habitat uses established underwriting criteria to ensure that only families who meet Habitat's financial and credit criteria are approved to be partner families and receive a mortgage loan from Habitat. This includes, but is not limited to, a thorough review of each prospective homeowner's credit report, sources of income and financial history. Habitat regularly reviews its portfolio of mortgages and monitors the accounts for delinquencies. Homeowners whose mortgages are more than 60 days past due, who have not made satisfactory payment arrangements, and who have not attended required counseling sessions, are subject to foreclosure proceedings. As of the date of the financial statements, there are no mortgages subject to foreclosure proceedings.

1. Organization and Summary of Significant Accounting Policies, Continued

Mortgages Receivable & Allowance, Continued

Management believes that losses resulting from non-payment of mortgages receivable, given its collateral value and discount, are not likely. Accordingly, Habitat has not recorded an allowance for mortgage notes receivable losses.

Intangible Assets

Intangible assets consist of structuring fee costs that are amortized over seven years.

Investment in Joint Venture

Habitat's investment in a joint venture is accounted for on the cost basis. Distributions received from the joint venture are reported as a return of investment. This investment has not been evaluated for impairment because Habitat is exempt from estimating the fair value of financial instruments under generally accepted accounting principles, and management did not identify any events or changes in circumstances that might have an adverse effect on fair value.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Acquisitions of property and equipment in excess of $500 and with estimated useful lives in excess of one year are capitalized.

Donated furniture and equipment are recorded as contributions at their estimated values at the date of receipt. If donors stipulate a time period during which the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Habitat recognized $11,256 and $2,000 in donated property and equipment for the years ended June 30, 2017 and 2016, respectively.

Sales to Homeowners

Revenues are recognized when houses are completed and a signed mortgage is received by Habitat. Sales to homeowners are recorded at the gross mortgage amount plus down payments received.

1. Organization and Summary of Significant Accounting Policies, Continued

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the same reporting period. All other restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Materials

Donated materials consist primarily of construction materials. Habitat recognized $55,550 and $38,530 in donated materials for the years ended June 30, 2017 and 2016, respectively.

Donated Services

Donated services are not recognized as contributions unless the services create or enhance a non-financial asset, require specialized skills which are provided by individuals with those skills, and would otherwise need to be purchased. Habitat recognized $2,745 and $14,383 in donated services for the years ended June 30, 2017 and 2016, respectively. However, a substantial number of volunteers donate significant amounts of their time to Habitat, but the value of these services is not reflected in the financial statements, as it does not meet the criteria for recognition.

Income Taxes

The Organization is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of providing various services and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

1. Organization and Summary of Significant Accounting Policies, Continued

Advertising

Advertising costs are expensed as incurred.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The amendments of this ASU will be effective for annual reporting periods beginning after December 15, 2018.

In August, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted.

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). This ASU will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments and a right-to-use asset representing its right to use the underlying asset for the lease term for all leases with a lease term of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. The amendments of this ASU are effective for reporting periods beginning after December 15, 2019, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.

Management is currently assessing the impact the adoption of these ASUs will have on its financial statements.

1. Organization and Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in accordance 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.

Reclassifications

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

2. Mortgages Receivable

Mortgages receivable consisted of the following at June 30:

	2017	2016
Mortgages receivable – current	$ 636,870	$ 631,204
Mortgages receivable – long-term	8,625,467	8,566,775
Total mortgages receivable	9,262,337	9,197,979
Less discount to net present value	(5,001,815)	(4,963,560)
Mortgages receivable, net	$ 4,260,522	$ 4,234,419

3. Promises to Give

Promises to give consisted of the following at June 30:

	2017	2016
Receivable in less than one year	$ 566,758	$ 754,900
Receivable in one to five years	400,299	966,416
Total promises to give	967,057	1,721,316
Less discount to net present value	(23,985)	(31,750)
Promises to give, net	$ 943,072	$ 1,689,566

4. Investment in Joint Venture

In 2011, Habitat participated in a New Market Tax Credit (NMTC) program. The program provides tax credits over a seven year period to eligible investors for making a qualified low-income community investment. Program compliance requirements include creation of a promissory note and investment in a qualified community development entity (CDE).

Habitat and three other Habitat affiliates formed a joint venture, HFHI-SA Leverage VIII, LLC, to take advantage of NMTC financing. Habitat invested $2,386,637 for a 25.7% ownership interest and was able to secure a 15 year loan in the amount of $3,143,108 payable to HFHI-SA NMTC V, LLC (sub-CDE), an affiliate of the joint venture (see Note 9). The loan proceeds are to be used solely for the purpose of constructing and selling qualified homes to low-income residents. Investment in the joint venture was $2,237,608 and $2,261,379 at June 30, 2017 and 2016, respectively.

5. Intangible Assets

Structuring fee costs were $118,495 at June 30, 2017 and 2016. Accumulated amortization was $107,209 and $90,282 for the years ended June 30, 2017 and 2016, respectively. Amortization expense was $16,927 and $16,928 for the years ended June 30, 2017 and 2016, respectively. Estimated amortization expense is $11,286 for the year ended June 30, 2018.

6. Beneficial Interest in Assets Held by Others

The beneficial interest in assets held by community foundation consists of assets contributed to a community foundation in which Habitat specified itself or the donors specified Habitat as the beneficiary. Income is to be distributed to Habitat for unrestricted purposes and the principal must remain intact for perpetuity. CFA was granted variance power to modify any restriction or condition of the distribution of the funds for any specified charitable purposes or to specified organizations if such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community and area served.

The fair value was $35,539 and $32,123 at June 30, 2017 and 2016, respectively. The historical cost of the beneficial interest was $34,100 and $32,550 at June 30, 2017 and 2016, respectively. An unrealized gain of $1,866 and loss of $3,254 for the years ended June 30, 2017 and 2016, respectively, related to the beneficial interest are reported as changes in permanently restricted net assets.

7. Fair Value Measurements

Fair value of assets measured on a recurring basis consisted of the beneficial interest in assets held by community foundation. Fair values were as follows at:

	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2017	$ 35,539	$ 35,539
June 30, 2016	$ 32,123	$ 32,123

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on similar assets in active or inactive markets and are Level 2 inputs. Habitat had no assets valued using Level 1 or 2 inputs.

Fair value of the beneficial interest in assets held by community foundation is measured using the unadjusted fair value of the assets held in the fund as reported by the trustee. Habitat considers the measurement of its beneficial interest to be a Level 3 input because even though that measurement is based on unadjusted fair values of the fund assets, Habitat will never receive those assets or have the ability to direct the trustee to redeem them.

The table below presents information about the fair value measurements of the beneficial interest in assets held by community foundation as of and for the years ended June 30:

	2017	2016
Beginning of year	$ 32,123	$ 34,777
Contribution of assets to community foundation	1,550	600
Total gains or losses recognized in the change in permanently restricted net assets:		
Change in value	1,866	(3,254)
End of year	$ 35,539	$ 32,123

At least annually, management and the Board of Directors review and approve Habitat's fair value measurement policies and procedures and determine if the valuation techniques used in fair value measurements are still appropriate.

7. Fair Value Measurements, Continued

There have been no changes in valuation techniques and related inputs. Habitat recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

8. Property and Equipment

Property and equipment consisted of the following at June 30:

	2017	2016
Equipment	$ 134,550	$ 86,197
Vehicles	26,757	27,187
Leasehold improvements	78,850	-
	240,157	113,384
Accumulated depreciation	(94,509)	(97,647)
Property and equipment, net	$ 145,648	$ 15,737

9. Long-Term Debt

Long term debt consisted of a note payable to HFHI-SA NMTC V, LLC, in conjunction with Habitat's participation in NMTC (see Note 4). This note requires interest only payments until June 5, 2018 at .756432% and matures February 24, 2026. The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The loan has a put option exercisable March 6, 2018 that will enable HFHI-SA Leverage VIII, LLC to become owner of the sub-CDE. Exercise of the option will effectively extinguish Habitat's outstanding debt owed to the sub-CDE.

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

	2017	2016
Note payable	$ 3,143,108	$ 3,143,108
Unamortized debt issuance costs	(31,980)	(35,670)
Long-term debt, net	$ 3,111,128	$ 3,107,438

9. Long-Term Debt, Continued

Habitat adopted new authoritative guidance for the presentation of debt issuance costs and related amortization. Debt issuance costs are now reported on the statement of financial position as a direct deduction from the face amount of debt. Previously, such costs were shown as an intangible asset, and 2016 amounts have been reclassified as deductions from debt. Accordingly, total 2016 assets and liabilities have been retroactively reduced by the same amount. The change did not affect net assets.

Habitat now reports amortization of debt issuance costs as interest expense and reclassified 2016 amounts accordingly. As a result, reported interest expense in 2016 was increased (and amortization decreased) by $3,690, with no effect on the change in net assets.

10. Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2017	2016
Time-restricted contributions	$ 943,072	$ 1,689,566
Restricted for specific program use	19,978	-
	$ 963,050	$ 1,689,566

Net assets released from restrictions were as follows for the years ended June 30:

	2017	2016
Time-restricted contributions	$ 803,958	$ 66,468
Restricted for specific program use	-	9,347
	$ 803,958	$ 75,815

Permanently restricted net assets consisted of a beneficial interest in assets held by community foundation in the amount of $35,539 and $32,123 at June 30, 2017 and 2016, respectively (See Note 6).

11. Leases

Habitat leases office and warehouse space under noncancelable operating lease agreements which expire at various dates through March 2022. These leases generally contain renewal options for periods ranging from three to five years and require Habitat to pay all executory costs such as taxes, maintenance, and insurance. Total rent expense was $49,687 and $33,000 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows for the years ended June 30:

2018	$ 118,826
2019	133,211
2020	133,211
2021	61,285
2022	31,267
	$ 477,800

12. Retirement Plan

Habitat maintains a Simple IRA defined contribution plan covering substantially all of its employees. Habitat matches employee contributions up to 3% of eligible wages. Total contributions to this plan were $12,111 and $10,876 for the years ended June 30, 2017 and 2016.

13. Transactions with Affiliate

Habitat remits a portion of its contributions to HFHI annually. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed $32,400 and $21,600 to HFHI for each of the years ended June 30, 2017 and 2016, respectively. In addition, Habitat paid HFHI $7,500 for operational support for each of the years ended June 30, 2017 and 2016, respectively. These amounts are included in program services in the statement of activities.

14. Concentrations of Credit Risk

Financial instruments that potentially subject Habitat to credit risk consist principally of cash on deposit at financial institutions, promises to give, and mortgages receivable. Cash in banks may, at times, exceed federal deposit insurance limits. Habitat attempts to minimize this risk by using high-credit quality financial institutions. Promises to give, which represent unsecured support, are periodically reviewed by management for their collectability and an allowance for doubtful accounts is established, as deemed necessary. Mortgages receivable are secured by the property purchased.

15. Subsequent Events

The Organization has evaluated subsequent events through September 26, 2017, the date the financial statements were available to be issued.