

**HABITAT FOR HUMANITY
OF GREATER NEWBURGH, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 and 2015

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Members of the
Board of Directors
Habitat for Humanity of Greater Newburgh, Inc.
Newburgh, New York

We have audited the accompanying financial statements of Habitat for Humanity of Greater Newburgh, Inc., (a non-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, 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 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 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 of 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 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 opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 Greater Newburgh, Inc. as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

NUGENT & HAEUSSLER, P.C.

Montgomery, New York
December 13, 2016

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 101,237	\$ 129,894
Investments	2,531	0
Accounts Receivable	74,249	72,218
Pledges Receivable - Current	343,118	370,132
Grants Receivable	500	0
Prepaid Expenses	28,824	30,259
Construction in Progress	1,563,650	658,148
Security Deposit	<u>10,786</u>	<u>10,786</u>
TOTAL CURRENT ASSETS	<u>2,124,895</u>	<u>1,271,437</u>
 <u>PROPERTY AND EQUIPMENT – NET</u>	 1,187,656	 1,251,593
 <u>OTHER ASSETS</u>		
Pledges Receivable – Non Current	437,792	655,945
Non-Interest Bearing Mortgage Loans	2,063,792	2,388,627
Discount on Non-Interest Bearing Mortgage Loans	<u>(868,310)</u>	<u>(1,023,813)</u>
TOTAL OTHER ASSETS	<u>1,633,274</u>	<u>2,020,759</u>
TOTAL ASSETS	<u>\$4,945,825</u>	<u>\$4,543,789</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 101,246	\$ 43,111
Refundable Advance	524,873	524,873
House Deposits	2,950	3,000
Line of Credit / Flex Line	200,000	200,000
Current Portion of Long-Term Debt	<u>64,452</u>	<u>62,214</u>
TOTAL CURRENT LIABILITIES	<u>893,521</u>	<u>833,198</u>
 <u>LONG-TERM LIABILITIES</u>		
Long-Term Debt, Net of Current Portion	811,884	902,503
 <u>NET ASSETS</u>		
Unrestricted		
Reserve for House Completion	1,387,986	1,881,040
Undesignated	<u>1,851,434</u>	<u>926,048</u>
TOTAL UNRESTRICTED NET ASSETS	3,239,420	2,807,088
Temporarily Restricted	<u>1,000</u>	<u>1,000</u>
TOTAL NET ASSETS	<u>3,240,420</u>	<u>2,808,088</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$4,945,825</u>	 <u>\$4,543,789</u>

See notes to financial statements

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

<u>UNRESTRICTED NET ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>SUPPORT AND REVENUE</u>		
Contributions	\$ 489,135	\$ 710,782
In-Kind Contributions	606,958	155,101
Grants	184,750	554,208
Rental Income	3,600	16,310
ReStore Sales	519,878	399,972
ReStore In-Kind Contributions	522,968	443,323
Neighborhood Revitalization	498	280
Transfers to Homeowners (Net of Discounts)	344,300	685,651
Mortgage Loan Discount Amortization	155,503	84,981
Interest and Dividend Income	45	127
Other Revenue	494	791
Realized Gain (Loss) on Investment	0	(235)
Unrealized Gain (Loss) on Investment	<u>457</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	2,828,586	3,051,291
<u>EXPENSES</u>		
Program Services – Home	1,216,445	2,044,621
Program Services - ReStore	869,023	693,172
Supporting Services - Management and General	130,358	118,689
Supporting Services - Fundraising	<u>180,428</u>	<u>160,059</u>
TOTAL EXPENSES	<u>2,396,254</u>	<u>3,016,541</u>
INCREASE IN NET ASSETS	432,332	34,750
NET ASSETS, BEGINNING OF YEAR	<u>2,808,088</u>	<u>2,773,338</u>
NET ASSETS, END OF YEAR	<u>\$3,240,420</u>	<u>\$2,808,088</u>

See notes to financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	2016				2015	
	Program Services		Supporting Services		Total	Total
	Home	ReStore	Management & General	Fund Raising		
Cost of Goods Sold	\$384,866	\$525,301	\$0	\$0	\$910,167	\$1,643,760
Payroll	392,723	140,222	67,671	98,527	699,143	629,886
Payroll Taxes	32,081	12,760	5,518	8,066	58,425	54,960
Payroll Services	2,735	499	456	831	4,521	5,530
Employee Benefits	64,095	37,499	9,958	11,822	123,374	105,486
Advertising	1,560	1,235	120	720	3,635	7,692
Ameri-Corps/Contract	50,602	1,598	0	0	52,200	57,293
Bank & Finance Fees	41,658	7,623	10,414	0	59,695	68,198
Depreciation	31,813	24,171	7,953	0	63,937	55,025
Development	13,800	0	3,943	1,971	19,714	11,387
Dues & Subscriptions	22,206	0	0	7,402	29,608	25,813
Events	10,251	0	0	41,003	51,254	46,087
Family Services	2,443	0	0	0	2,443	2,892
Insurance	17,280	1,203	2,160	2,160	22,803	25,206
Maintenance & Repair	9,993	13,810	2,498	0	26,301	8,337
Miscellaneous	1,628	0	204	203	2,035	5,335
N.R.I.	25,939	0	0	0	25,939	6,266
Office Expense	37,931	10,982	2,231	4,463	55,607	66,625
Professional Fees	6,933	0	12,780	0	19,713	23,035
Rent	0	74,051	0	0	74,051	63,018
Tithe to HFHI	19,096	0	0	0	19,096	20,833
Travel, Meetings, Etc.	16,551	1,077	2,069	2,069	21,766	21,149
Utilities	20,254	8,380	2,383	1,191	32,208	38,360
Vehicle Expense	4,785	8,612	0	0	13,397	14,480
Volunteer Services	5,222	0	0	0	5,222	9,888
	<u>\$1,216,445</u>	<u>\$869,023</u>	<u>\$130,358</u>	<u>\$180,428</u>	<u>\$2,396,254</u>	<u>\$3,016,541</u>
Percent of total expenses	51%	36%	5%	8%	100%	100%

See notes to financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2016</u>	<u>2015</u>
Increase in Net Assets	\$ 432,332	\$ 34,750
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Issuance of Non-Interest Bearing Mortgage Loans (Current)	0	(419,500)
Discount on Non-Interest Bearing Mortgage Loans (Current)	0	244,350
Change in Non-Interest Bearing Mortgage Loans	324,835	137,380
Mortgage Note Discount Amortization	(155,503)	(84,981)
Unrealized (Gain) Loss on Investments	(457)	1,357
Depreciation	63,937	55,025
Stock Donation	(2,074)	(25,275)
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	1,435	(6,573)
Accounts Receivable	(2,031)	(28,421)
Pledges Receivable	245,166	(124,445)
Grant Receivable	(500)	55,000
Construction in Progress	(905,502)	789,068
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	58,135	(71,049)
Refundable Advance	0	(202,385)
House Deposits	(50)	(8,325)
TOTAL ADJUSTMENTS	<u>(372,609)</u>	<u>311,226</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	59,723	345,976
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Stock Sales	0	30,365
Purchase of Long-Term Investment - Dividend Reinvest	0	(88)
Purchase of Vehicle	0	(7,842)
Purchase of Leasehold Improvements	0	(107,787)
NET CASH USED IN INVESTING ACTIVITIES	0	(85,352)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payments	(88,380)	(220,460)
Proceeds from Borrowing	0	0
NET CASH USED IN FINANCING ACTIVITIES	<u>(88,380)</u>	<u>(220,460)</u>
 NET CHANGE IN CASH	(28,657)	40,164
 CASH, BEGINNING OF YEAR	<u>129,894</u>	<u>89,730</u>
 CASH, END OF YEAR	<u>\$ 101,237</u>	<u>\$ 129,894</u>
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid during the year for the following:		
Interest	\$ 46,472	\$ 56,130

See notes to financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

This summary of significant accounting policies of Habitat for Humanity of Greater Newburgh, Inc. is presented to assist in understanding the organization's financial statements. The financial statements and notes are representations for the organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and Purpose

Habitat for Humanity of Greater Newburgh, Inc. ("Habitat") (a non-profit corporation) was incorporated on July 27, 1999. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations. The geographic area of Habitat encompasses Eastern Orange County. Presently, Habitat is rebuilding homes in the City of Newburgh.

Status of Organization

Habitat is incorporated as a non-profit corporation in the State of New York. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International, Inc. by the Internal Revenue Service. Donor's contributions are tax deductible under Section 170 of the Internal Revenue Code.

Accrual Basis of Accounting

The financial statements have been prepared using the accrual method of accounting in accordance with generally accepted accounting principles. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

Habitat operates the Habitat for Humanity Restore (the "Re-Store"), a retail operation, where building materials, home goods and furniture items are donated and then sold to the community at a greatly reduced price. Revenue is recognized by Habitat at the time the goods are sold; therefore, no value for the Re-Store inventory is included in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.
(Continued)

Financial Statements Presentation

The organization reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purposes 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. At June 30, 2016 and 2015 the organization had \$1,000 in temporarily restricted assets and no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the company uses the indirect method of reporting net cash flows from operating activity, and considers all short-term debt securities purchased with a maturity of 3 months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Property and Equipment

Property and Equipment is recorded at cost. Small tools are expensed.

Depreciation

Depreciation of fixed assets are computed under the straight-line method over the useful life of the asset.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.
(Continued)

Advertising

Advertising costs are generally charged to operations in the year incurred and totaled \$3,635 and \$7,692 as of June 30, 2016 and 2015, respectively.

Functional Expenses

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis and presented in The Statement of Functional Expenses. Directly identifiable expenses are charged to program services including home or ReStore and supporting services including management and general or fundraising as applicable. Accordingly, overhead and certain other expenses are allocated to functional categories based on percentages estimated by the organization's management.

Non-Interest Bearing Mortgage Loans

Mortgage loans receivable consists of non-interest bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage.

Pledge Receivables

Pledges receivable are recognized when a donor makes a "promise to give" to Habitat which in substance is unconditional. Pledges receivable are recorded at face value. Pledges receivable that were deemed uncollectable and written off were \$87,717 and \$0 as of June 30, 2016 and June 30, 2015, respectively.

Uncertain Tax Positions

Habitat adopted the provisions of ASC 740-10. This standard requires all taxpayers to analyze all material positions they have taken or plan to take in all tax returns that have been filed or should have been filed with all taxing authorities for all years still subject to challenge by those taxing authorities. If the position taken is "more-likely-than-not" to be sustained by the taxing authority on its technical merits and if there is more than a 50% likelihood that the position would be sustained if challenged and considered by the highest court in the relevant jurisdiction, the tax consequences of that position should be reflected in the taxpayer's GAAP financial statements. Using that guidance, Habitat has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2016 and 2015.

Habitat's federal tax return for the years ended June 30, 2012 through June 30, 2015 are subject to examination by applicable taxing authorities. Habitat has evaluated its tax positions for all open tax years, and believes all tax positions taken would be upheld under an examination.

Conveyance to Homeowners

Conveyance of completed projects to qualified homebuyers are recorded at a net sales price of the Fair Market Value at the time of the transference of the project.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 2. CONSTRUCTION IN PROGRESS.

Construction in progress of all projects includes all direct costs for land, materials and professional services and the estimated or actual fair market value of donated items such as land, material and professional services. All direct recorded costs of individual projects are transferred to construction costs when the title transfers to the homeowner. The construction in progress account balance is \$1,563,650 and \$658,148 at June 30, 2016 and 2015, respectively.

NOTE 3. PROPERTY AND EQUIPMENT.

The following is a summary of land, building and equipment less accumulated depreciation as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Office Equipment	\$ 20,913	\$ 20,913
Vehicles	43,263	43,263
Leasehold Improvements	107,787	107,787
Building	<u>1,366,931</u>	<u>1,366,931</u>
	1,538,894	1,538,894
Less: Accumulated Depreciation	<u>351,238</u>	<u>287,301</u>
	<u>\$ 1,187,656</u>	<u>\$1,251,593</u>

NOTE 4. MORTGAGE LOANS RECEIVABLE.

The various mortgage loans receivable consist of non-interest bearing mortgage loans to homeowners which are secured by real estate and payable in monthly installments over the lives of the respective mortgages. These non-interest bearing mortgages are recorded at their net realizable value and have been discounted based upon a 7% rate at the inception of each mortgage. Utilizing the effective interest method, this discount is recognized as interest income over the term of the mortgage. The homeowners' monthly mortgage payments go into a revolving fund for the Organization that is used to build more houses.

In addition, a second lien is placed against the home that is equal to the difference between the cost of construction and the appraised value and/or the difference between the sales price and the mortgage. Repayment of the second lien is only required in the event of a resale or refinance, and is forgiven by 10% a year. All proceeds from a second mortgage realization are recorded as income in the period collected.

Certain funds provided by local governments or institutional investors would be required to be repaid to the donating government or institution in the event the project for which the funds were provided is sold by the homeowner within a specified time period, between 5 and 30 years. These contingent obligations of the homeowners range from \$10,000 to \$65,000 and are documented in the form of silent second, third trust deeds, mortgages and deed restrictions.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 5. MORTGAGE LOAN ADMINISTRATION.

Habitat mortgage loans are currently managed by AmeriNat, an experienced loan servicer providing the tasks of payment collection, processing and remittance, delinquency notices, escrow administration, 1098 reporting, and other back-office functions necessary in effectively administering a loan. HFHGN records principal payments and escrow deficits when they are receivable or payable to AmeriNat.

NOTE 6. REFUNDABLE ADVANCE.

The County of Orange, Office of Community Development, the U.S. Department of Housing and Urban Development Neighborhood Stabilization Program and the Affordable Housing Corporation have provided funds to the organization for the construction of various projects. These funds were recorded as a refundable advance. These grants will only be repayable by Habitat in the event of non-compliance with any of the provisions of the agreement prior to transfer of the liability to the homeowner at closing. The nature of these grants is not fully realizable until the final recording after the closing and transfer of title to the homeowner.

NOTE 7. HOUSE DEPOSITS.

House deposits are funds received from home buyers prior to closing that are held in escrow and restricted to down payment and/or closing costs on their home sales. As of June 30, 2016 and 2015, Habitat held \$2,950 and \$3,000, respectively in a separate escrow fund account with a corresponding liability.

NOTE 8. FLEX LINE

The organization has a flex line of credit with M&T Bank. As of June 30, 2016 and 2015, the maximum principal amount available is \$200,000 and \$200,000, respectively. As of June 30, 2016 and 2015 there were borrowings of \$200,000 and \$200,000 on this flex line. The bank requires that interest be paid monthly with no predetermined date of principle repayment. The interest rate is determined by the Bank as its prime rate of interest.

NOTE 9. LINE OF CREDIT.

The organization has a line of credit available with M & T Bank. As of June 30, 2016 and 2015, the maximum principal amount available is \$300,000 and \$300,000, respectively. As of June 30, 2016 and 2015 there were borrowings of \$0 and \$0 on this line of credit. Repayment terms call for monthly payments of interest only. The bank requires that the line of credit is to have a zero balance due, for at least 30 days in a one year term, last completed on June 9, 2015. The interest rate is determined by the Bank as its prime rate of interest.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 10. LONG-TERM DEBT.

Long term debt at June 30, 2016 is as follows:

- A. The restated mortgage note payable of \$675,542.71 to Salisbury Bank, requires monthly payments of \$5,323.85 over a five year period (based on a 20 year amortization) with a balloon payment due at the end of five years on May 15, 2019. The interest rate is 4.875%. The note is secured by the building.
- B. On June 22, 2011 Habitat remediated the assignment of property containing sixteen parcels from Leyland Newburgh Associates, LLC and the assignment of the debt associated with the eight parcels. The debt is as follows
1. Walden Savings Bank (WSB). WSB holds the mortgage note in the amount of \$317,442.50. As of February 1, 2015, the remaining balance of \$155,442.49 was converted to a term loan. The note payable requires monthly payments of \$2,884.23 over a five year period. The interest rate is 4.25%. The note is secured by property in our inventory, specifically 30 E. Parmenter St.
 2. City of Newburgh (CON). CON holds the mortgage in the amount of \$130,000.00. Interest accrues at a rate of 2%. Upon the sale of each individual parcel, Habitat will pay the principal balance associated with that specific parcel to the City of Newburgh.
- C. On January 5, 2011, debt to Hudson Riverside Equities was assigned to William & Mary Murphy and David & Mary McTamane and restated in the form of a \$200,000 loan with collateral in 10 parcels of Habitat owned property. The payback term of this note is interest only, of 5%, paid annually on September 1st. Upon the sale of each individual parcel, Habitat will pay the principal balance associated with that specific parcel to the individuals.
- D. On September 21, 2011 Habitat remediated the purchase of property from William Clark St. Corp. The property contains six parcels to be rehabilitated by Habitat. William Clark St. Corp. holds the mortgage note in the amount of \$100,000. The payback term of this note is interest only at 6.00% for ten years. Upon the sale of each individual parcel, Habitat has the option to pay the principal balance associated with that specific parcel to William St. Clark Corp. Any and all remaining principal balance that remains after the ten years is due to William Clark St. Corp. on September 21, 2021. On February 7, 2012, the debt of \$100,000 was assigned to Gloria E. and Thomas J. Amodeo.

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
A. Salisbury Bank	\$ 35,245	\$ 573,512	\$ 608,757
B1. Walden Savings Bank	29,207	53,997	83,204
B2. City of Newburgh	0	24,375	24,375
C. Murphy/McTamane Loan	0	60,000	60,000
D. William Clark St. Corp Loan	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 64,452</u>	<u>\$ 811,884</u>	<u>\$ 876,336</u>

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 10. LONG TERM DEBT. (Continued)

Maturity of Long-Term Debt is as follows:

<u>FYE June 30,</u>	
2017	\$ 64,452
2018	120,886
2019	612,873
2020	53,125
2021	<u>25,000</u>
Total	<u>\$ 876,336</u>

NOTE 11. RESERVE FOR HOUSE COMPLETION – BOARD DESIGNATION.

Habitat has reserved \$1,387,986 and \$1,881,040 of unrestricted fund balance for the completion of projects that are currently in progress during the fiscal year 2016 and 2015 respectively. This amount is calculated based on projected completed costs less costs expensed in the current year.

NOTE 12. RESTORE

HHGN receives building materials, home goods and furniture, substantially all of which the organization received as gifts or contributions for the purpose of resale. The materials in the ReStore are deemed to be of value only when, and if, sold. In accordance with ASC 958-605-25-4, Not-for-Profit Entities – Revenue Recognition, the donated inventory is not recorded in the financial statements until the time of sale, when a fair market value is determined and items sold are reflected in the statement of activities. At the time the inventory is sold, the items are recorded as sales with a corresponding recording of an in-kind donation and a cost of goods sold expense.

The purpose of the ReStore is to raise funds to support HHGN programs. Accordingly, expenses of operating the ReStore are reported as a separate program expense in the consolidated Statement of Functional expenses.

NOTE 13. IN-KIND CONTRIBUTIONS.

Included in in-kind contributions are building materials which have been donated to HHGN for use in the houses which are rehabilitated and contributed services meeting the IRS requirements for recognition in the financial statements. During the fiscal year ended June 30, 2016 and 2015, the value of these in-kind contributions was \$606,958 and \$155,101, respectively.

Included in ReStore in-kind contributions are building materials, home goods and furniture for the purpose of resale. During the fiscal year ended June 30, 2016 and 2015, the value of these in-kind contributions was \$519,877 and \$399,972, respectively.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 14. RELATED PARTY TRANSACTIONS.

HHGN annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat for Humanity International in the form of a tithe. For the year ended June 30, 2016 and June 30, 2015, Habitat contributed \$19,096 and \$20,833, respectively to Habitat International.

HHGN paid a U.S. Stewardship and Organizational Sustainability fee of \$7,500 to HFHI in this period.

HHGN paid a Supporting Affiliate fee of \$5,000 to Habitat for Humanity of NYS in this period.

NOTE 15. GLOBAL SUPPORT WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

HHGN remits a tithe to HFHI, these funds are used to construct homes in economically depressed areas around the world. HHGN has designated their support to international programs in Ethiopia, Haiti, India, Jordan and Mexico. As of June 30, 2016, the funding provided has enabled us to serve 100 families internationally. This amount is included as a program service expense in the Statement of Functional Expenses.

NOTE 16. JOINT VENTURE

Beginning in 2007, Habitat entered into a joint development project with Leyland Alliance, LLC. The purpose of the project was to develop twenty-four units in the City of Newburgh. Habitat was responsible for constructing and selling 8 of the total 24 units to be developed. All infrastructure costs associated with the project were to be divided, one-third Habitat's responsibility and two-thirds Leyland Alliance, LLC's responsibility. On June 22, 2011, after months of negotiations, the joint project ended, with Habitat assuming all of Leyland Alliance, LLC's 16 units and the outstanding debt associated with those units. Habitat for Humanity of Greater Newburgh will independently complete the project.

NOTE 17. LEASED FACILITIES

In September of 2014, Habitat entered into a 3 year lease agreement with Brian Jo Lynn Holding Corp. for retail space located at 38 S. Plank Rd., Newburgh NY, 12550. Year 1 and 2 are rented at an annual amount of \$48,000 plus an allocation of taxes & utilities based on square footage. Year 3 of the lease increases base annual rental to \$54,000. Renewal options are available. Brian Jo Lynn Corp. holds a security deposit of \$8,000 stated on the Statement of Financial Position under Security Deposits.

NOTE 18. RESTRICTED FUNDS

During fiscal year 2013, Habitat received a donation of \$1,000 that was restricted to assist homeowners with their deductible amount for their homeownership insurance policies, if there was a policy claim on their insurance plans. These funds are designated as temporarily restricted on the Statement of Financial Position.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
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NOTE 19. RETIREMENT PLAN

The Organization established a 401(k) retirement savings plan (tax deferred annuity) in December, 2014 for its Employees. The Organization makes its employees aware of the plan, withholds voluntary contributions from paychecks and remits the contributions to an independent trustee. Each participant may contribute his or her eligible compensation on a pretax basis to the plan up to a maximum allowed by the Internal Revenue Code.

NOTE 20. INCOME TAX STATUS

The Organization is classified as a section 501©(3) Organization under the Federal Internal Revenue Code. As a result, it has been determined to be exempt from federal and state income taxes other than unrelated business income.

Unrelated business income is the income from a trade or business regularly conducted by an exempt organization and not substantially related to the performance by the organization of its exempt purpose or function, except that the organization uses the profits derived from this activity. Any trade or business is excluded from unrelated business income tax that consists of selling merchandise, substantially all of which the organization received as gifts or contributions, accordingly HHGN is exempt from unrelated business income tax.

The Organization Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2012, 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 21. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 13, 2016, the date which the financial statements were available to be issued.

The organization consolidated a portion of its long term debt and its flex line into a \$400,000, 5 year term loan with M&T Bank on August 11, 2016. The note payable requires monthly payments of \$7,446.82 a month over a five year period. The interest rate is 4.38%.

City of Newburgh	\$ 24,375
Murphy/McTamaney Loan	60,000
William Clark St. Corp Loan	100,000
M&T Flex Line	200,000
Website Redesign	<u>15,625</u>
Consolidated Amount	<u><u>\$ 400,000</u></u>