

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

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016 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.

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NUGENT & HAEUSSLER, P.C.

Montgomery, New York  
November 9, 2017

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

NEWBURGH, NEW YORK

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 62,600	\$ 101,237
Investments	0	2,531
Accounts Receivable	52,175	74,249
Pledges Receivable - Current	283,004	343,118
Grants Receivable	38,000	500
Prepaid Expenses	36,124	28,824
Construction in Progress	1,402,973	1,563,650
Security Deposit	10,786	10,786
TOTAL CURRENT ASSETS	<u>1,885,662</u>	<u>2,124,895</u>
 <u>PROPERTY AND EQUIPMENT – NET</u>	 <u>1,184,243</u>	 <u>1,187,656</u>
 <u>OTHER ASSETS</u>		
Pledges Receivable – Non Current	252,266	437,792
Non-Interest Bearing Mortgage Loans	2,049,477	2,063,792
Discount on Non-Interest Bearing Mortgage Loans	<u>(866,709)</u>	<u>(868,310)</u>
TOTAL OTHER ASSETS	<u>1,435,034</u>	<u>1,633,274</u>
TOTAL ASSETS	<u>\$4,504,939</u>	<u>\$4,945,825</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 354,283	\$ 101,246
Deferred Revenue	42,721	0
Refundable Advance	224,873	524,873
House Deposits	9,750	2,950
Line of Credit / Flex Line	0	200,000
Current Portion of Long-Term Debt	<u>152,848</u>	<u>64,452</u>
TOTAL CURRENT LIABILITIES	<u>784,475</u>	<u>893,521</u>
 <u>LONG-TERM LIABILITIES</u>		
Long-Term Debt, Net of Current Portion	<u>858,920</u>	<u>811,884</u>
 <u>NET ASSETS</u>		
Unrestricted		
Reserve for House Completion	1,592,279	1,387,986
Undesignated	<u>1,268,265</u>	<u>1,851,434</u>
TOTAL UNRESTRICTED NET ASSETS	2,860,544	3,239,420
Temporarily Restricted	<u>1,000</u>	<u>1,000</u>
TOTAL NET ASSETS	<u>2,861,544</u>	<u>3,240,420</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,504,939</u>	<u>\$4,945,825</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, 2017 and 2016

<u>UNRESTRICTED NET ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>SUPPORT AND REVENUE</u>		
Contributions	\$ 493,299	\$ 489,135
In-Kind Contributions	25,665	606,958
Grants	378,750	184,750
Rental Income	8,736	3,600
ReStore Sales	508,486	519,878
ReStore In-Kind Contributions	508,511	522,968
Neighborhood Revitalization	175	498
Construction In-Kind Contributions	75,446	0
Transfers to Homeowners (Net of Discounts)	710,091	344,300
Mortgage Loan Discount Amortization	78,983	155,503
Interest and Dividend Income	70	45
Other Revenue	602	494
Unrealized Gain (Loss) on Investment	<u>(240)</u>	<u>457</u>
TOTAL SUPPORT AND REVENUE	<u>2,788,574</u>	<u>2,828,586</u>
<u>EXPENSES</u>		
Program Services - Home	1,957,758	1,216,445
Program Services - ReStore	909,537	869,023
Supporting Services - Management and General	130,832	130,358
Supporting Services - Fundraising	<u>169,323</u>	<u>180,428</u>
TOTAL EXPENSES	<u>3,167,450</u>	<u>2,396,254</u>
INCREASE (DECREASE) IN NET ASSETS	(378,876)	432,332
NET ASSETS, BEGINNING OF YEAR	<u>3,240,420</u>	<u>2,808,088</u>
NET ASSETS, END OF YEAR	<u>\$2,861,544</u>	<u>\$3,240,420</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, 2017 and 2016

	2017				2016	
	Program Services		Supporting Services		Total	Total
	Home	ReStore	Management & General	Fund Raising		
Cost of Goods Sold	\$1,163,641	\$508,485	\$0	\$0	\$1,672,126	\$910,167
Payroll	385,009	172,686	67,892	101,290	726,877	699,143
Payroll Taxes	30,784	13,344	5,421	8,114	57,663	58,425
Payroll Services	3,695	856	616	1,122	6,289	4,521
Employee Benefits	54,916	48,424	9,256	12,988	125,584	123,374
Advertising	701	1,845	54	323	2,923	3,635
Ameri-Corps/Contract	51,109	2,684	0	0	53,793	52,200
Bank & Finance Fees	50,825	9,720	12,706	0	73,251	59,695
Communications	1,511	0	0	0	1,511	0
Depreciation	31,498	29,558	7,875	0	68,931	63,937
Development	12,886	0	3,681	1,841	18,408	19,714
Dues & Subscriptions	22,819	0	0	7,606	30,425	29,608
Events	6,483	0	0	25,934	32,417	51,254
Family Services	1,605	0	0	0	1,605	2,443
Insurance	18,302	1,425	2,288	2,288	24,303	22,803
Maintenance & Repair	4,690	1,259	1,173	0	7,122	26,301
Miscellaneous	348	0	44	44	436	2,035
N.R.I.	9,216	0	0	0	9,216	25,939
Office Expense	34,128	11,909	2,007	4,015	52,059	55,607
Professional Fees	3,859	0	13,040	0	16,899	19,713
Rent	0	79,573	0	0	79,573	74,051
Tithe to HFHI	17,724	0	0	0	17,724	19,096
Travel, Meetings, Etc.	21,879	2,169	2,734	2,735	29,517	21,766
Utilities	17,386	12,141	2,045	1,023	32,595	32,208
Vehicle Expense	6,526	13,459	0	0	19,985	13,397
Volunteer Services	6,218	0	0	0	6,218	5,222
	<u>\$1,957,758</u>	<u>\$909,537</u>	<u>\$130,832</u>	<u>\$169,323</u>	<u>\$3,167,450</u>	<u>\$2,396,254</u>
Percent of total expenses	62%	29%	4%	5%	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, 2017 and 2016

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2017</u>	<u>2016</u>
Increase / (Decrease) in Net Assets	\$ (378,876)	\$ 432,332
Adjustments to Reconcile Increase / (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Issuance of Non-Interest Bearing Mortgage Loans (Current)	(132,850)	0
Discount on Non-Interest Bearing Mortgage Loans (Current)	77,382	0
Change in Non-Interest Bearing Mortgage Loans	147,165	324,835
Mortgage Note Discount Amortization	(78,983)	(155,503)
Unrealized (Gain) Loss on Investments	0	(457)
Depreciation	68,931	63,937
Stock Donation	0	(2,074)
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(7,299)	1,435
Accounts Receivable	22,073	(2,031)
Pledges Receivable	245,640	245,166
Grant Receivable	(37,500)	(500)
Construction in Progress	160,677	(905,502)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	253,037	58,135
Refundable Advance / Deferred Revenue	(257,279)	0
House Deposits	6,800	(50)
TOTAL ADJUSTMENTS	<u>467,794</u>	<u>(372,609)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	88,918	59,723
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from Sale of Stock	2,572	0
Purchase of Long-Term Investment - Dividend Reinvest	(41)	0
Purchase of Vehicle	(57,019)	0
Purchase of Website Design	(8,499)	0
NET CASH USED IN INVESTING ACTIVITIES	<u>(62,987)</u>	<u>0</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payments	(512,568)	(88,380)
Proceeds from Borrowing	448,000	0
NET CASH USED IN FINANCING ACTIVITIES	<u>(64,568)</u>	<u>(88,380)</u>
 NET CHANGE IN CASH	(38,637)	(28,657)
 CASH, BEGINNING OF YEAR	<u>101,237</u>	<u>129,894</u>
 CASH, END OF YEAR	<u>\$ 62,600</u>	<u>\$ 101,237</u>
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid during the year for the following:		
Interest	\$ 53,258	\$ 46,472

See notes to financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 and 2016

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. ("HFHGN") (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, HFHGN is primarily and directly responsible for its own operations. The geographic area of HFHGN encompasses Eastern Orange County. Presently, HFHGN is rebuilding homes in the City of Newburgh.

Status of Organization

HFHGN 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.

HFHGN operates the Habitat for Humanity Restore (the "ReStore"), 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 HFHGN at the time the goods are sold; therefore, no value for the ReStore 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, 2017 and 2016

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, 2017 and 2016 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.

Advertising

Advertising costs are generally charged to operations in the year incurred and totaled \$2,923 and \$3,635 as of June 30, 2017 and 2016, respectively.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 and 2016

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

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 HFHGN which in substance is unconditional. Pledges receivable are recorded at face value. Pledges receivable that were deemed uncollectable and written off were \$83,830 and \$87,717 as of June 30, 2017 and June 30, 2016, respectively.

Uncertain Tax Positions

HFHGN 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, HFHGN has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2017 and 2016.

HFHGN's federal tax return for the years ended June 30, 2013 through June 30, 2016 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, 2017 and 2016

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 \$1,402,973 and \$1,563,650 at June 30, 2017 and 2016, respectively.

NOTE 3. PROPERTY AND EQUIPMENT.

The following is a summary of land, building and equipment less accumulated depreciation as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Office Equipment	\$ 29,411	\$ 20,913
Vehicles	80,811	43,263
Leasehold Improvements	107,787	107,787
Building	<u>1,366,931</u>	<u>1,366,931</u>
	1,584,940	1,538,894
Less: Accumulated Depreciation	<u>400,697</u>	<u>351,238</u>
	<u>\$ 1,184,243</u>	<u>\$1,187,656</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, 2017 and 2016

NOTE 5. MORTGAGE LOAN ADMINISTRATION.

HFHGN 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. DEFERRED REVENUE.

HFHGN receives In-Kind Contributions of building materials and contributed services meeting the IRS requirements for recognition. These goods and services are identified to a specific housing project, recorded as deferred revenue and recognized at the time of the house sale. As of June 30, 2017 and 2016, deferred revenue is \$42,721 and \$0, respectively.

NOTE 8. 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, 2017 and 2016, Habitat held \$9,750 and \$2,950, respectively in a separate escrow fund account with a corresponding liability.

NOTE 9. LINE OF CREDIT.

The organization has a line of credit available with M & T Bank. As of June 30, 2017 and 2016, the maximum principal amount available is \$300,000 and \$300,000, respectively. As of June 30, 2017 and 2016 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 16, 2017. 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, 2017 and 2016

NOTE 10. LONG-TERM DEBT.

Long term debt at June 30, 2017 is as follows:

- A. On November 21, 2016, HFHGN financed \$48,000 with Isuzu Finance of America, Inc. The note payable requires monthly payments of \$927.75 over a five year period. The interest rate is 6.00%. The note is secured by the Isuzu Box Truck.
- B. On February 1, 2015, HFHGN financed \$155,442.49 with Walden Savings Bank. 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.
- C. On August 11, 2016, HFHGN financed \$400,000.00 with M&T Bank. This note is a consolidation of existing debt, including the conversion of the flex line. The note payable requires monthly payments of \$7,446.82 over a five year period. The interest rate is 4.38%.
- D. 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.

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
A. Isuzu Finance of America, Inc	\$ 8,746	\$ 35,073	\$ 43,819
B. Walden Savings Bank	31,476	22,780	54,256
C. M&T Bank	75,849	263,477	339,326
D. Salisbury Bank	<u>36,777</u>	<u>537,590</u>	<u>574,367</u>
Total	<u>\$ 152,848</u>	<u>\$ 858,920</u>	<u>\$ 1,011,768</u>

Maturity of Long-Term Debt is as follows:

<u>FYE June 30,</u>	
2018	\$ 152,848
2019	648,958
2020	92,738
2021	97,119
2022	<u>20,105</u>
Total	<u>\$ 1,011,768</u>

NOTE 11. RESERVE FOR HOUSE COMPLETION – BOARD DESIGNATION.

HFHGN reserves a portion of its unrestricted fund balance for the completion of projects that are currently in progress. During the fiscal year ended June 30, 2017 and 2016, the value of this Board designation was \$1,592,279 and \$1,387,986, respectively. This amount is calculated based on projected completed costs less costs expensed in the current year.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 and 2016

NOTE 12. RESTORE.

HFHGN 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 HFHGN 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 and contributed services (meeting the IRS requirements for recognition) which have been donated to HFHGN for use in the houses which are rehabilitated. During the fiscal year ended June 30, 2017 and 2016, the value of these in-kind contributions recognized was \$101,111 and \$606,958, respectively. During Fiscal year 2017, the decision was made to defer revenue recognition of these gifts until the sale of the home.

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, 2017 and 2016, the value of these in-kind contributions was \$508,511 and \$519,877, respectively.

NOTE 14. RELATED PARTY TRANSACTIONS.

HFHGN 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, 2017 and June 30, 2016, Habitat contributed \$17,724 and \$19,096, respectively to Habitat International.

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

HFHGN 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.

HFHGN remits a tithe to HFHI, these funds are used to construct homes in economically depressed areas around the world. HFHGN has designated their support to international programs in Ethiopia, Haiti, India, Jordan and Mexico. As of June 30, 2017, the funding provided has enabled us to serve 104 families internationally. This amount is included as a program service expense in the Statement of Functional Expenses.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 and 2016

NOTE 16. LEASED FACILITIES

In September of 2014, HFHGN 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 17. RESTRICTED FUNDS

During fiscal year 2013, HFHGN 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.

NOTE 18. 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 19. INCOME TAX STATUS

The Organization is classified as a section 501(c)(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 HFHGN is exempt from unrelated business income tax.

The Organization Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2013, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 20. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 9, 2017, the date that these financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.