

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

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2018 and 2017

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

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-15



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

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, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Greater Newburgh, Inc. as of June 30, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nugent & Haeussler, P.C.

NUGENT & HAEUSSLER, P.C.

Montgomery, New York
May 10, 2019

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 190,386	\$ 62,600
Investments	417	0
Accounts Receivable	66,162	52,175
Pledges Receivable - Current	196,721	283,004
Grants Receivable	76,000	38,000
Prepaid Expenses	37,184	36,124
Construction in Progress	954,071	1,402,973
Security Deposit	8,000	10,786
TOTAL CURRENT ASSETS	<u>1,528,941</u>	<u>1,885,662</u>
<u>PROPERTY AND EQUIPMENT - NET</u>	<u>1,110,153</u>	<u>1,184,243</u>
<u>OTHER ASSETS</u>		
Pledges Receivable - Non Current	154,851	252,266
Non-Interest Bearing Mortgage Loans	1,905,756	2,049,477
Discount on Non-Interest Bearing Mortgage Loans	(783,891)	(866,709)
TOTAL OTHER ASSETS	<u>1,276,716</u>	<u>1,435,034</u>
TOTAL ASSETS	<u>\$ 3,915,810</u>	<u>\$ 4,504,939</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 249,436	\$ 354,283
Deferred Revenue	70,385	42,721
House Deposits	11,250	9,750
Current Portion of Long-Term Debt	148,926	152,848
Refundable Advance	305,113	224,873
TOTAL CURRENT LIABILITES	<u>785,110</u>	<u>784,475</u>
<u>LONG-TERM LIABILITIES</u>		
Long-Term Debt, Net of Current Portion	<u>709,057</u>	<u>858,920</u>
<u>NET ASSETS</u>		
Temporarily Restricted	1,000	1,000
Unrestricted		
Reserve for House Completion	642,552	1,592,279
Undesignated	1,778,091	1,268,265
TOTAL NET ASSETS	<u>2,421,643</u>	<u>2,861,544</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,915,810</u>	<u>\$ 4,504,939</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, 2018 AND 2017

<u>UNRESTRICTED NET ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>SUPPORT AND REVENUE</u>		
Contributions	\$ 525,643	\$ 493,299
In-Kind Contributions	13,434	25,665
Grants	106,625	378,750
Rental Income	7,900	8,736
ReStore In-Kind Contributions	552,115	508,511
ReStore Sales	546,227	508,486
Neighborhood Revitalization	0	175
Construction In-Kind Contributions	103,605	75,446
Transfers to Homeowners (Net of Discounts)	1,066,238	710,091
Mortgage Loan Discount Amortization	82,818	78,983
Interest & Dividend Income	4	70
Other Revenue	802	602
Unrealized Gain (Loss) on Investment	(147)	(240)
TOTAL SUPPORT AND REVENUE	<u>3,005,264</u>	<u>2,788,574</u>
<u>EXPENSES</u>		
Program Services - Home	2,182,718	1,957,758
Program Services - Restore	958,015	909,537
Supporting Services - Management and General	126,866	130,832
Supporting Services - Fundraising	177,566	169,323
TOTAL EXPENSES	<u>3,445,165</u>	<u>3,167,450</u>
DECREASE IN NET ASSETS	(439,901)	(378,876)
NET ASSETS, BEGINNING OF YEAR	<u>2,861,544</u>	<u>3,240,420</u>
NET ASSETS, END OF YEAR	<u>\$ 2,421,643</u>	<u>\$ 2,861,544</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, 2018 AND 2017

	2018				2017	
	PROGRAM SERVICES		SUPPORTING SERVICES MANAGEMENT		TOTAL	TOTAL
	HOME	RESTORE	AND GENERAL	FUND RAISING		
Building Material & Supplies	\$ 1,372,130	\$ 550,473	\$ 0	\$ 0	\$ 1,922,603	\$ 1,672,126
Payroll	374,600	173,597	65,869	99,022	713,088	726,877
Payroll Taxes	31,581	15,130	5,423	8,371	60,505	57,663
Payroll Services	2,744	1,078	458	834	5,114	6,289
Employee Benefits	81,897	50,891	9,582	18,099	160,469	125,584
Advertising	2,563	1,815	189	1,130	5,697	2,923
Ameri-Corps	33,982	0	0	0	33,982	53,793
Bank & Finance Charges	44,472	11,589	11,118	0	67,179	73,251
Communication	2,230	0	0	0	2,230	1,511
Depreciation	35,128	33,783	8,782	0	77,693	68,931
Development	10,678	0	2,663	1,483	14,824	18,408
Dues & Subscriptions	25,143	0	0	8,381	33,524	30,425
Events	7,776	0	0	31,103	38,879	32,417
Family Services	7,042	0	0	0	7,042	1,605
Insurance	24,506	1,510	3,064	3,063	32,143	24,303
Maintenance & Repair	3,171	164	793	0	4,128	7,122
Miscellaneous	0	0	0	0	0	436
N.R.I.	6,885	0	0	0	6,885	9,216
Office Expense	31,275	11,368	1,840	3,678	48,161	52,059
Professional Fees	11,931	0	0	0	11,931	16,899
Audit	0	0	13,690	0	13,690	0
Rent	0	86,345	0	0	86,345	79,573
Tithe to HFHI	24,127	0	0	0	24,127	17,724
Travel, Meetings & Meals	11,259	891	1,407	1,408	14,965	29,517
Utilities	17,070	11,176	1,988	994	31,228	32,595
Vehicle Expense	8,691	8,205	0	0	16,896	19,985
Volunteer Services	7,372	0	0	0	7,372	6,218
Home Warranty Repairs	4,465	0	0	0	4,465	0
TOTAL EXPENSES	\$ 2,182,718	\$ 958,015	\$ 126,866	\$ 177,566	\$ 3,445,165	\$ 3,167,450

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, 2018 AND 2017

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2018</u>	<u>2017</u>
Decrease in Net Assets	\$ (439,901)	\$ (378,876)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Flows From Operating Activities:		
Issuance of Non-Interest Bearing Mortgage Loans (Current)	0	(132,850)
Discount on Non-Interest Bearing Mortgage Loans (Current)	0	77,382
Non-Interest Bearing Mortgage Loan Payments	143,719	147,165
Mortgage Note Discount Amortization	(82,818)	(78,983)
Unrealized (Gain) Loss on Investments	147	0
Depreciation	77,693	68,931
Non Cash Donations	(4,167)	0
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	1,725	(7,299)
Accounts Receivable	(13,987)	22,073
Pledges Receivable	183,699	245,640
Grants Receivable	(38,000)	(37,500)
Construction in Progress	448,902	160,677
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(104,845)	253,037
Refundable Advance / Deferred Revenue	107,904	(257,279)
House Deposits	1,500	6,800
TOTAL ADJUSTMENTS	<u>721,472</u>	<u>467,794</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>281,571</u>	<u>88,918</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from Sale of Stock	0	2,572
Purchase of Long-Term Investment - Dividend Reinvest	0	(41)
Purchase of Vehicle	0	(57,019)
Purchase of Website Design	0	(8,499)
NET CASH USED IN INVESTING ACTIVITIES	<u>0</u>	<u>(62,987)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payments	(153,785)	(512,568)
Proceeds from Borrowing	0	448,000
NET CASH USED IN FINANCING ACTIVITIES	<u>(153,785)</u>	<u>(64,568)</u>
 NET CHANGE IN CASH	127,786	(38,637)
 CASH, BEGINNING OF YEAR	<u>62,600</u>	<u>101,237</u>
 CASH, END OF YEAR	<u>\$ 190,386</u>	<u>\$ 62,600</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for the following:

Interest	\$ 48,034	\$ 53,258
----------	-----------	-----------

See notes to financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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

Status of Organization

HHGN 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.

HHGN 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 HHGN at the time the goods are sold; therefore, no value for the Re-Store inventory is included in these financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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

(Continued)

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.

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, 2018 and 2017 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.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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

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 \$5,697 and \$2,923 as of June 30, 2018 and 2017, 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 HHGN which in substance is unconditional. Pledges receivable are recorded at face value. Pledges receivable that were deemed uncollectable and written off were \$3,000 and \$83,830 as of June 30, 2018 and June 30, 2017, respectively.

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, 2018 and 2017

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 \$954,071 and \$1,402,973 at June 30, 2018 and 2017, respectively.

NOTE 3. PROPERTY AND EQUIPMENT.

The following is a summary of land, building and equipment less accumulated depreciation as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Office Equipment	\$ 29,411	\$ 29,411
Vehicles	81,262	80,811
Leasehold Improvements	107,787	107,787
Building	<u>1,366,931</u>	<u>1,366,931</u>
	1,585,391	1,584,940
Less: Accumulated Depreciation	<u>475,238</u>	<u>400,697</u>
	<u>\$ 1,110,153</u>	<u>\$1,184,243</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.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

NOTE 4. MORTGAGE LOANS RECEIVABLE. (Continued)

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 approximately \$5,000 to \$65,000 and are documented in the form of silent second, third trust deeds, mortgages and deed restrictions.

NOTE 5. MORTGAGE LOAN ADMINISTRATION.

HHGN mortgage loans are currently managed by Walden Savings Bank, 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. HHGN records principal payments and escrow deficits when they are receivable or payable to Walden Savings.

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.

HHGN 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, 2018 and 2017, there is deferred revenue of \$70,385 and \$42,721.

HFHGN also receives Development Assistance from the Newburgh Community Land Bank to assist with lead and asbestos abatement. These funds are identified to a specific housing project, recorded as Deferred Development Assistance and recognized at the time of house sale. As of June 30, 2018 and 2017, there is deferred development assistance of \$80,240 and \$0.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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, 2018 and 2017, Habitat held \$11,250 and \$9,750, 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, 2018 and 2017, the maximum principal amount available is \$300,000 and \$300,000, respectively. As of June 30, 2018 and 2017 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 February 27, 2018. The interest rate is determined by the Bank as its prime rate of interest.

NOTE 10. LONG-TERM DEBT.

Long term debt at June 30, 2018 is as follows:

- A. On November 21, 2016, HHGN financed \$48,000 with Isuzu Finance of America, Inc. The note payable requires monthly payments of \$928 over a five year period. The interest rate is 6.00%. The note is secured by the Isuzu Box Truck. The book value of this asset is \$37,706.
- B. On February 1, 2015, HHGN financed \$155,442 with Walden Savings Bank. The note payable requires monthly payments of \$2,884 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. The book value of this asset is \$78,288.
- C. On August 11, 2016, HHGN financed \$400,000 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 \$7,447 over a five year period. The interest rate is 4.38%.
- D. The restated mortgage note payable of \$675,543 to Salisbury Bank, requires monthly payments of \$5,324 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. The book value of this asset is \$777,963.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

NOTE 10. LONG-TERM DEBT (continued).

Creditor	Short Term	Long Term	Total
A. Isuzu Finance of America, Inc	\$ 9,284	\$ 25,794	\$ 35,078
B. Walden Savings Bank	21,341	0	21,341
C. M&T Bank	79,284	184,220	263,504
D. Salisbury Bank	39,017	499,043	538,060
	<u>\$ 148,926</u>	<u>\$ 709,057</u>	<u>\$ 857,983</u>

Maturity of Long-Term Debt is as follows:

FYE June 30,

2019	\$ 148,926
2020	591,781
2021	97,119
2022	<u>20,157</u>
Total	<u>\$ 857,983</u>

NOTE 11. RESERVE FOR HOUSE COMPLETION – BOARD DESIGNATION.

HHGN 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, 2018 and 2017, the value of this Board designation was \$642,552 and \$1,592,279, 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.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

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 HHGN for use in the houses which are rehabilitated. During the fiscal year ended June 30, 2018 and 2017, the value of these in-kind contributions recognized was \$116,993 and \$101,111, 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, 2018 and 2017, the value of these in-kind contributions was \$552,115 and \$508,511, respectively.

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, 2018 and June 30, 2017, Habitat contributed \$24,127 and \$17,724, 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, 2018, the funding provided has enabled us to serve 106 families internationally. This amount is included as a program service expense in the Statement of Functional Expenses.

NOTE 16. LEASED FACILITIES

In September of 2014, HHGN 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. The Lease was renewed for the period October 1, 2018-September 30, 2019 at the rate of \$60,000 plus an allocation of taxes and utilities. Brian Jo Lynn Corp. holds a security deposit of \$8,000 as stated on the Statement of Financial Position under Security Deposits.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

NOTE 17. RESTRICTED FUNDS

During fiscal year 2013, HHGN 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 TAXES

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 HHGN is exempt from unrelated business income tax.

NOTE 20. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 10, 2019 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.