

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

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2019 and 2018

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	7-16



**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

### INDEPENDENT AUDITOR'S REPORT

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

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

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, 2019 and 2018, 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, 2019 and 2018 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.*

Montgomery, New York  
November 22, 2019

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 427,536	\$ 190,386
Investments	359	417
Accounts Receivable	65,454	66,162
Pledges Receivable - Current	210,817	196,721
Grants Receivable	0	76,000
Prepaid Expenses	40,917	37,184
Construction in Progress	803,609	954,071
Security Deposit	8,000	8,000
TOTAL CURRENT ASSETS	<u>1,556,692</u>	<u>1,528,941</u>
<u>PROPERTY AND EQUIPMENT - NET</u>	<u>1,035,204</u>	<u>1,110,153</u>
<u>OTHER ASSETS</u>		
Pledges Receivable - Non Current	164,313	154,851
Non-Interest Bearing Mortgage Loans	1,764,387	1,905,756
Discount on Non-Interest Bearing Mortgage Loans	(707,155)	(783,891)
TOTAL OTHER ASSETS	<u>1,221,545</u>	<u>1,276,716</u>
TOTAL ASSETS	<u>\$ 3,813,441</u>	<u>\$ 3,915,810</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 120,601	\$ 249,436
Deferred Revenue	251,445	70,385
House Deposits	5,250	11,250
Current Portion of Long-Term Debt	133,659	148,926
Refundable Advance	224,873	305,113
TOTAL CURRENT LIABILITES	<u>735,828</u>	<u>785,110</u>
<u>LONG-TERM LIABILITIES</u>		
Long-Term Debt, Net of Current Portion	<u>576,440</u>	<u>709,057</u>
<u>NET ASSETS</u>		
Without Donor Restrictions		
Reserve for House Completion	1,066,871	642,552
Undesignated	1,433,302	1,778,091
With Donor Restrictions	1,000	1,000
TOTAL NET ASSETS	<u>2,501,173</u>	<u>2,421,643</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,813,441</u>	<u>\$ 3,915,810</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, 2019 AND 2018

	Without Donor Restriction	
	2019	2018
<u>SUPPORT AND REVENUE</u>		
Contributions	\$ 759,262	\$ 525,643
In-Kind Contributions	16,188	13,434
Grants	255,625	106,625
Rental Income	9,057	7,900
ReStore In-Kind Contributions	604,056	552,115
ReStore Sales	603,727	546,227
Neighborhood Revitalization	11,950	0
Construction In-Kind Contributions	92,434	103,605
Transfers to Homeowners (Net of Discounts)	1,019,965	1,066,238
Mortgage Loan Discount Amortization	76,736	82,818
Investment Return, net	43	(143)
Other Revenue	1,191	802
TOTAL SUPPORT AND REVENUE	3,450,234	3,005,264
<u>EXPENSES</u>		
Program Services - Home Building	2,065,970	2,182,718
Program Services - Restore	1,019,417	958,015
Supporting Services - Management and General	140,210	126,866
Supporting Services - Fundraising	145,107	177,566
TOTAL EXPENSES	3,370,704	3,445,165
CHANGE IN NET ASSETS	79,530	(439,901)
NET ASSETS, BEGINNING OF YEAR	2,421,643	2,861,544
NET ASSETS, END OF YEAR	\$ 2,501,173	\$ 2,421,643

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, 2019 AND 2018

	2019				2018	
	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL	TOTAL
	HOME BUILDING	RESTORE	MANAGEMENT AND GENERAL	FUND - RAISING		
Building Material & Supplies	\$ 1,170,031	\$ 603,959	\$ 0	\$ 0	\$ 1,773,990	\$ 1,922,603
Payroll	379,032	169,733	74,366	73,628	696,759	713,088
Payroll Taxes	32,154	14,491	6,387	6,341	59,373	60,505
Payroll Services	3,073	1,252	512	934	5,771	5,114
Employee Benefits	96,028	56,836	13,410	14,416	180,690	160,469
Advertising	572	475	44	264	1,355	5,697
Ameri-Corps	29,852	0	0	0	29,852	33,982
Bank & Finance Charges	41,998	10,245	10,499	0	62,742	67,179
Communication	4,635	0	0	0	4,635	2,230
Depreciation	34,094	32,331	8,524	0	74,949	77,693
Development	8,805	0	2,516	1,258	12,579	14,824
Dues & Subscriptions	18,107	0	0	6,036	24,143	33,524
Events	7,928	0	0	31,713	39,641	38,879
Family Services	3,530	0	0	0	3,530	7,042
Insurance	23,415	1,396	2,927	2,927	30,665	32,143
Maintenance & Repair	2,623	48	656	0	3,327	4,128
Miscellaneous	1,700	0	213	219	2,132	0
N.R.I.	78,729	0	0	0	78,729	6,885
Office Expense	42,564	11,802	2,504	5,007	61,877	48,161
Professional Fees	3,392	0	0	0	3,392	11,931
Audit	0	0	14,240	0	14,240	13,690
Rent	0	92,295	0	0	92,295	86,345
Tithe to HFHI	36,332	0	0	0	36,332	24,127
Travel, Meetings & Meals	10,518	965	1,315	1,315	14,113	14,965
Utilities	17,825	13,428	2,097	1,049	34,399	31,228
Vehicle Expense	9,853	9,812	0	0	19,665	16,896
Volunteer Services	6,987	349	0	0	7,336	7,372
Home Warranty Repairs	2,193	0	0	0	2,193	4,465
<b>TOTAL EXPENSES</b>	<b>\$ 2,065,970</b>	<b>\$ 1,019,417</b>	<b>\$ 140,210</b>	<b>\$ 145,107</b>	<b>\$ 3,370,704</b>	<b>\$ 3,445,165</b>

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, 2019 AND 2018

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ 79,530	\$ (439,901)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Non-Interest Bearing Mortgage Loan Payments	141,374	143,719
Mortgage Note Discount Amortization	(76,736)	(82,818)
Unrealized (Gain) Loss on Investments	59	147
Depreciation	74,949	77,693
Non Cash Donations	0	(4,167)
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(3,739)	1,725
Accounts Receivable	708	(13,987)
Pledges Receivable	(23,558)	183,699
Grants Receivable	76,000	(38,000)
Construction in Progress	150,462	448,902
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(128,836)	(104,845)
Refundable Advance / Deferred Revenue	100,821	107,904
House Deposits	(6,000)	1,500
TOTAL ADJUSTMENTS	<u>305,504</u>	<u>721,472</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>385,034</u>	<u>281,571</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payments	(147,884)	(153,785)
 NET CHANGE IN CASH	<u>237,150</u>	<u>127,786</u>
 CASH, BEGINNING OF YEAR	<u>190,386</u>	<u>62,600</u>
 CASH, END OF YEAR	<u>\$ 427,536</u>	<u>\$ 190,386</u>
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid during the year for the following:		
Interest	\$ 41,515	\$ 48,034

See notes to financial statements.



HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018

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, 2019 and 2018

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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

With Donor Restrictions – The part of net assets that is subject to donor-imposed restrictions. Donors include other types of contributors, including makers of certain grants.

Without Donor Restrictions – The part of net assets that is not subject to donor-imposed restrictions.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. At June 30, 2019 and 2018 the organization had \$1,000 in donor restricted 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.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018

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 \$1,355 and \$5,697 as of June 30, 2019 and 2018, 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 \$0 and \$3,000 as of June 30, 2019 and June 30, 2018, 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, 2019 and 2018

NOTE 2. ADOPTION OF ACCOUNTING PRONOUNCEMENT.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS.

Habitat's financial assets available within one year as of June 30, 2019 and 2018 for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 427,536	\$ 190,386
Investments	359	359
Accounts Receivable	65,454	66,162
Current Pledge Receivables	210,817	196,721
Current Mortgage Receivables	140,388	141,369
Total financial assets available within one year	<u>844,554</u>	<u>594,997</u>
Less:		
Assets with Donor Purpose Restrictions	(1,000)	(1,000)
House Deposits	(5,250)	(11,250)
Total Available Assets	<u>\$ 838,304</u>	<u>\$ 582,747</u>

Habitat structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Habitat maintains a line of credit in the amount of \$300,000, which can be drawn upon with Board approval.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018

NOTE 4. 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 \$803,609 and \$954,071 at June 30, 2019 and 2018, respectively.

NOTE 5. PROPERTY AND EQUIPMENT.

The following is a summary of land, building and equipment less accumulated depreciation as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Office Equipment	\$ 26,738	\$ 29,411
Vehicles	81,262	81,262
Leasehold Improvements	107,787	107,787
Building	<u>1,366,931</u>	<u>1,366,931</u>
	1,582,718	1,585,391
Less: Accumulated Depreciation	<u>547,514</u>	<u>475,238</u>
	<u>\$ 1,035,204</u>	<u>\$1,110,153</u>

NOTE 6. 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 approximately \$5,000 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, 2019 and 2018

NOTE 7. 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 8. 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. As of September 27, 2019, Orange County reported that this grant is still open and these funds remain recorded as a refundable advance.

NOTE 9. 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, 2019 and 2018, there is deferred revenue of \$17,563 and \$70,385.

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, 2019 and 2018, there is deferred development assistance of \$233,882 and \$0.

NOTE 10. 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, 2019 and 2018, Habitat held \$5,250 and \$11,250, respectively in a separate escrow fund account with a corresponding liability.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018

NOTE 11. LINE OF CREDIT.

The organization has a line of credit available with M & T Bank. As of June 30, 2019 and 2018, the maximum principal amount available is \$300,000 and \$300,000, respectively. As of June 30, 2019 and 2018 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, 2019. The interest rate is determined by the Bank as its prime rate of interest.

NOTE 12. LONG-TERM DEBT.

Long term debt at June 30, 2019 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 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%.
- C. 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 mortgage note was extended and is in the process of being refinanced. The interest rate is 4.875%. The note is secured by the building. The book value of this asset is \$751,366.

Creditor	Short Term	Long Term	Total
A. Isuzu Finance of America, Inc	\$ 9,857	\$ 15,932	\$ 25,789
B. M&T Bank	82,861	101,387	184,248
C. Salisbury Bank	40,941	459,121	500,062
	<u>\$ 133,659</u>	<u>\$ 576,440</u>	<u>\$ 710,099</u>

Maturity of Long-Term Debt is as follows:

<u>FYE June 30,</u>	
2020	\$ 133,659
2021	140,688
2022	65,942
2023	48,022
Thereafter	<u>321,788</u>
Total	<u>\$ 710,099</u>

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018

NOTE 13. RESERVE FOR HOUSE COMPLETION – BOARD DESIGNATION.

HHGN reserves a portion of its fund balance for the completion of projects that are currently in progress. During the fiscal year ended June 30, 2019 and 2018, the value of this Board designation was \$1,066,871 and \$642,552, respectively. This amount is calculated based on projected completed costs less costs expensed in the current year.

NOTE 14. 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 Statement of Functional expenses.

NOTE 15. 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, 2019 and 2018, the value of these in-kind contributions recognized was \$108,622 and \$116,993, respectively. During Fiscal year 2019, 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, 2019 and 2018, the value of these in-kind contributions was \$604,056 and \$552,115, respectively.



HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018

NOTE 16. 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, 2019 and June 30, 2018, Habitat contributed \$36,332 and \$24,127, 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 17. 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, 2019, the funding provided has enabled us to serve 118 families internationally. This amount is included as a program service expense in the Statement of Functional Expenses.

NOTE 18. 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, 2019-September 30, 2020 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.

NOTE 19. NET ASSETS WITH DONOR RESTRICTIONS.

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 net assets with donor restrictions on the Statement of Financial Position.

NOTE 20. 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.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 and 2018

NOTE 21. 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 on income 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 22. EVALUATION OF SUBSEQUENT EVENTS.

Subsequent events have been evaluated through November 22, 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.