

# Alachua Habitat for Humanity, Inc.

Financial Statements  
And  
Independent Auditors' Report

June 30, 2018 and 2017

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# Kattell and Company, P.L.

*Certified Public Accountants Serving the Nonprofit Community*

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808-B NW 16<sup>th</sup> Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Alachua Habitat for Humanity, Inc.

### REPORT ON THE FINANCIAL STATEMENTS

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We have audited the accompanying financial statements of Alachua Habitat for Humanity, Inc. (the Corporation), 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility.***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion.***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation 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.

*Kattell and Company, P.L.*

March 19, 2019  
Gainesville, Florida

*"Not everything that counts can be counted, and not everything that can be counted counts."*

-Albert Einstein

**Statements of Financial Position**  
**June 30, 2018 and 2017**  
**Alachua Habitat for Humanity, Inc.**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash	\$ 294,333	\$ 204,727
Investments	24,256	285,702
Inventory	36,000	30,000
Receivables:		
Grants and Contributions	95,033	16,000
Other	34,890	18,823
Deposits – AmeriNational	43,952	48,268
Prepaid Expenses	9,745	6,922
Construction in Progress	407,519	157,297
Mortgage Notes Receivable, Net	1,803,900	1,689,930
Property and Equipment, Net	801,072	804,642
Land Held for Future Use	248,600	265,000
	<u>3,799,300</u>	<u>3,527,311</u>
<b>Total Assets</b>	<b><u>\$ 3,799,300</u></b>	<b><u>\$ 3,527,311</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Line of Credit	\$ 135,000	\$ 140,000
Accounts Payable	56,599	36,009
Accrued Payroll Expenses	60,071	58,002
Deposits Held	8,751	8,001
Mortgage Escrow	44,718	49,820
Note Payable	16,250	--
	<u>321,389</u>	<u>291,832</u>
<b>Total Liabilities</b>	<b>321,389</b>	<b>291,832</b>
Net Assets:		
Unrestricted	3,317,868	3,074,075
Temporarily Restricted	160,043	161,404
	<u>3,477,911</u>	<u>3,235,479</u>
<b>Total Net Assets</b>	<b><u>3,477,911</u></b>	<b><u>3,235,479</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,799,300</u></b>	<b><u>\$ 3,527,311</u></b>

*See accompanying notes.*

**Statement of Activities**  
**For the Year Ended June 30, 2018**  
**Achua Habitat for Humanity, Inc.**

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions:			
Individuals	\$ 105,714	\$ 1,000	\$ 106,714
Businesses and Foundations	131,662	84,967	216,629
Churches	15,978	9,005	24,983
Women Build	--	26,935	26,935
Signature Event	45,205	--	45,205
In Kind	175,486	--	175,486
Other	4,036	--	4,036
Interest Income - Mortgages	80,922	--	80,922
Government Grants	74,641	--	74,641
CCTCP (Tax Credit Program)	249,000	--	249,000
Sales – Resale Center	437,331	--	437,331
Sale of Homes	652,767	--	652,767
Other Support and Revenue	94,702	--	94,702
Satisfaction of Program			
Restrictions	123,268	(123,268)	--
<b>Total Support and Revenue</b>	<b>2,190,712</b>	<b>(1,361)</b>	<b>2,189,351</b>
Expenses:			
Program:			
ReStore	369,292	--	369,292
Home Ownership	1,356,364	--	1,356,364
Management and General	186,025	--	186,025
Fundraising	113,973	--	113,973
<b>Total Expenses</b>	<b>2,025,654</b>	<b>--</b>	<b>2,025,654</b>
<b>Excess Revenues over/(under) Expenses</b>	<b>165,058</b>	<b>(1,361)</b>	<b>163,697</b>
Gains	78,735		78,735
<b>Change in Net Assets</b>	<b>243,793</b>	<b>(1,361)</b>	<b>242,432</b>
<b>Net Assets, Beginning of Year</b>	<b>3,074,075</b>	<b>161,404</b>	<b>3,235,479</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,317,868</b>	<b>\$ 160,043</b>	<b>\$ 3,477,911</b>

*See accompanying notes.*

**Statement of Activities**  
**For the Year Ended June 30, 2017**  
**Alachua Habitat for Humanity, Inc.**

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions:			
Individuals	\$ 29,308	\$ 28,102	\$ 57,410
Businesses and Foundations	8,904	188,000	196,904
Churches	--	22,685	22,685
Women Build	--	68,077	68,077
Signature Event	45,855	--	45,855
In Kind	290,831	--	290,831
Other	50,816	--	50,816
Interest Income - Mortgages	82,331	--	82,331
Government Grants	57,275	--	57,275
CCTCP (Tax Credit Program)	159,750	--	159,750
Sales – Resale Center	410,018	--	410,018
Sale of Homes	543,388	--	543,388
Other Support and Revenue	36,004	--	36,004
Satisfaction of Program Restrictions	296,969	(296,969)	--
<b>Total Support and Revenue</b>	<b>2,011,449</b>	<b>9,895</b>	<b>2,021,344</b>
Expenses:			
Program:			
ReStore	382,325	--	382,325
Home Ownership	1,160,357	--	1,160,357
Management and General	119,576	--	119,576
Fundraising	153,050	--	153,050
<b>Total Expenses</b>	<b>1,815,308</b>	<b>--</b>	<b>1,815,308</b>
<b>Excess Revenues over/(under) Expenses</b>	<b>196,141</b>	<b>9,895</b>	<b>206,036</b>
Loss on Sale of Assets	(2,950)	--	(2,950)
<b>Change in Net Assets</b>	<b>193,191</b>	<b>9,895</b>	<b>203,086</b>
<b>Net Assets, Beginning of Year</b>	<b>2,880,884</b>	<b>151,509</b>	<b>3,032,393</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,074,075</b>	<b>\$ 161,404</b>	<b>\$ 3,235,479</b>

*See accompanying notes.*

**Statements of Cash Flows**  
**For the Years Ended June 30, 2018 and 2017**  
**Alachua Habitat for Humanity, Inc.**

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 242,432	\$ 203,086
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Donated Non-cash Assets	(54,500)	(199,000)
Depreciation	38,201	30,125
Gain on Repossession	(39,368)	--
Investment Income Reinvested	(3,554)	2,950
Changes in:		
Inventory – Resale Center	(6,000)	(8,000)
Receivables	(95,100)	(5,590)
Deposits – AmeriNational	4,316	14,563
Prepaid Expenses	(2,823)	4,558
Construction in Progress	(79,222)	108,518
Mortgage Notes Receivable	(297,534)	(308,249)
Accounts Payable and Accrued Expenses	22,659	35,789
Deposits and Mortgage Escrow	(4,352)	(12,052)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(274,845)</b>	<b>(133,302)</b>
Cash Flows From Investing Activities:		
Securities Purchased	--	(417,000)
Securities Sold	265,000	131,298
Proceeds from Sale of Land	--	69,000
Purchases of Fixed Assets	(34,631)	--
Purchase of Land Held for Future Use	(35,100)	(32,500)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>195,269</b>	<b>(249,202)</b>
Cash Flows From Financing Activities:		
Payments on Line of Credit	(145,604)	(50,000)
Borrowings Under Line of Credit	140,604	--
Proceeds from Note Payable	16,250	--
Proceeds from Sale of Mortgages Receivable	157,932	--
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>169,182</b>	<b>(50,000)</b>
<b>Net Change in Cash</b>	<b>89,606</b>	<b>(432,504)</b>
<b>Cash, Beginning of Year</b>	<b>204,727</b>	<b>637,231</b>
<b>Cash, End of Year</b>	<b>\$ 294,333</b>	<b>\$ 204,727</b>

Supplemental Disclosures

Cash Paid for Interest	<u>\$ 7,519</u>	<u>\$ 8,558</u>
Value of Land Held for Future Use transferred to Construction in Progress	<u>\$ 106,000</u>	<u>\$ 14,000</u>
Value of Foreclosed Mortgage added to Construction in Progress	<u>\$ 65,000</u>	<u>\$ --</u>

*See accompanying notes.*

**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**  
**Alachua Habitat for Humanity, Inc.**

	Program Services		Supporting Activities		Total
	ReStore	Home Ownership	Management and General	Fundraising	
Salaries and Benefits	\$ 255,169	\$ 291,622	\$ 116,649	\$ 65,614	\$ 729,054
Advertising	399	--	994	--	1,393
Automobile Expenses	16,130	7,555	3,022	1,707	28,414
Supplies & Equipment	4,537	15,884	6,353	3,590	30,364
Bank/Credit Card/Other Fees	14,055	--	2,941	--	16,996
Repairs & Maintenance	10,171	10,338	828	--	21,337
Professional Associations	3,050	12,108	--	--	15,158
Occupancy and Insurance	34,486	24,691	9,876	5,581	74,634
Cost of Homes Sold	--	562,125	--	--	562,125
Cost of Home Repairs	--	60,064	--	--	60,064
Payments to Affiliates	--	--	7,270	--	7,270
Professional Services	--	--	19,967	--	19,967
Mortgage Servicing Fees	--	11,322	--	--	11,322
Other Program	900	50,053	--	--	50,953
Event	--	--	--	32,668	32,668
Staff and Volunteer Appreciation	1,308	--	7,076	--	8,384
Staff Training and Development	2,799	2,955	1,182	668	7,604
Printing & Postage	1,300	6,923	2,769	1,565	12,557
Meeting Expenses	--	2,067	--	--	2,067
Interest Expense	--	7,519	--	--	7,519
Depreciation	18,420	12,635	4,566	2,580	38,201
Grants/Assistance to Individuals- Mortgage Discount	--	276,485	--	--	276,485
Other	6,568	2,018	2,532	--	11,118
<b>Total Expenses</b>	<b>\$ 369,292</b>	<b>\$ 1,356,364</b>	<b>\$ 186,025</b>	<b>\$ 113,973</b>	<b>\$2,025,654</b>

*See accompanying notes.*

**Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**  
**Alachua Habitat for Humanity, Inc.**

	Program Services		Supporting Activities		Total
	ReStore	Home Ownership	Management and General	Fundraising	
Salaries and Benefits	\$ 268,929	\$ 210,518	\$ 71,323	\$ 96,679	\$ 647,449
Advertising	3,436	2,618	900	1,226	8,180
Automobile Expenses	15,673	8,666	--	--	24,339
Supplies & Equipment	5,247	3,998	1,374	1,875	12,494
Bank/Credit Card/Other Fees	4,401	3,353	1,152	1,572	10,478
Repairs & Maintenance	6,351	4,839	1,664	2,268	15,122
Professional Associations	5,643	4,300	1,478	2,015	13,436
Occupancy and Insurance	42,262	23,540	8,049	10,821	84,672
Cost of Homes Sold	--	544,445	--	--	544,445
Cost of Home Repairs	--	72,294	--	--	72,294
Payments to Affiliates	--	13,792	--	--	13,792
Professional Services	--	54,683	12,250	2,124	69,057
Mortgage Servicing Fees	--	11,428	--	--	11,428
Other Program	--	43,270	--	--	43,270
Event	--	--	--	20,976	20,976
Staff and Volunteer Appreciation	--	--	2,643	2,642	5,285
Staff Training and Development	4,548	3,465	1,191	1,625	10,829
Printing & Postage	5,074	3,866	1,329	1,812	12,081
Meeting Expenses	--	--	2,228	--	2,228
Interest Expense	--	--	8,558	--	8,558
Depreciation	12,652	9,640	3,314	4,519	30,125
Grants/Assistance to Individuals- Mortgage Discount	--	135,465	--	--	135,465
Miscellaneous	8,109	6,177	2,123	2,896	19,305
<b>Total Expenses</b>	<b>\$ 382,325</b>	<b>\$ 1,160,357</b>	<b>\$ 119,576</b>	<b>\$ 153,050</b>	<b>\$1,815,308</b>

*See accompanying notes.*



**Notes to Financial Statements**  
**June 30, 2018 and 2017**  
**Alachua Habitat for Humanity, Inc.**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Alachua Habitat for Humanity, Inc. (the Corporation), a not-for-profit corporation, provides affordable housing to low-income families in the Alachua County area. Qualified families have a demonstrated need, an ability to repay an interest-free mortgage, and a willingness to volunteer 400 hours of their time.

**Income Taxes**

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Corporation qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Corporation is operated exclusively for charitable, scientific and educational purposes. The Corporation holds no uncertain tax positions and, therefore, has no policy for evaluating them.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with standards applicable to voluntary health and welfare organizations.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 reported period. Actual results could differ from those estimates.

**Cash**

The Corporation considers all checking and savings accounts to be cash. The Corporation had approximately \$80,990 and \$0 of deposits in excess of amounts insured by the Federal Deposit Insurance Corporation at June 30, 2018 and June 30, 2017, respectively.

**Investments**

All investment securities have readily determinable fair values and are reported at fair value. Fair value is determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions (also known as Level 1 of the fair value hierarchy.)

**Inventory – Resale Center**

All items sold in the resale center are donated to the Corporation. Donated items are valued at their fair value at the time of contribution and are typically sold or otherwise disposed of shortly after being donated.

**Construction in Progress**

Construction in progress consists of the accumulated costs of construction of single-family houses. Accumulated costs may include goods or services purchased or the fair value of goods or services received through donation. The single-family homes will be sold to qualified persons as part of the Corporation's home ownership program.

**Notes to Financial Statements**  
**June 30, 2018 and 2017**  
**Alachua Habitat for Humanity, Inc.**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Land Held for Future Use**

Land held for future use is comprised of purchased and contributed lots held for future development or sale to qualified persons. Additionally, land held for future use represents development costs incurred for infrastructure for the Celebration Oaks residential subdivision in Alachua County. The lots owned by the Corporation will be used to build single-family homes.

**Property, Plant and Equipment**

Property, plant and equipment are valued at cost when purchased, or at fair value at the time of donation. Depreciation of property and equipment is computed over the estimated useful lives of the respective assets on the straight-line basis. Estimated useful lives range from three to ten years for equipment and forty years for buildings. The Corporation's policy is to capitalize items with a cost or estimated fair value greater than \$1,000.

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is measured by comparing the carrying amount of the asset to the sum of expected future cash flows (undiscounted and without interest charges) resulting from use of the asset and its eventual disposition.

**Advertising**

The Corporation expenses advertising costs as they are incurred.

**Concentration**

The Corporation relies heavily on donations from individuals, churches, and organizations from the North Central Florida area.

**Net Assets**

The Corporation's net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes:

*Permanently Restricted* – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions, which do not expire by passage of time or cannot be fulfilled by actions of the Corporation. The Corporation does not have any permanently restricted net assets.

*Temporarily Restricted* – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions, which expire by passage of time or are fulfilled by actions of the Corporation.

*Unrestricted* – Those net assets that are neither permanently or temporarily restricted.

**Revenue Recognition**

*Contributions.* Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions are recorded at their estimated fair values. The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. However, contributions that are restricted by a donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the contributions are recognized.

**Notes to Financial Statements**  
**June 30, 2018 and 2017**  
**Alachua Habitat for Humanity, Inc.**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

**Revenue Recognition (continued)**

*Contributed Services.* Contributions of services are recognized when received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

*Government Grants* – Government grants consist primarily of cost reimbursement contracts. Revenues are recognized when the Corporation incurs allowable costs. The Corporation reports grants receivable to the extent that funding is received after allowable costs are incurred.

*Donated Materials* – Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt.

*Inventory – Resale Center* – The Corporation operates a thrift shop where donated household furniture, building supplies and other goods are held for resale. Items donated are reflected as resale center sales in the statement of activities or as inventory on the statement of financial position.

*Imputed Interest on Mortgages* – The Corporation sells the homes it builds and takes a mortgage note receivable with zero percent interest. The Corporation imputes interest at a risk adjusted rate by computing a discount on the note when signed. As payments are received, a portion of the payment is credited to interest income using the effective interest method of discount amortization.

**Functional Expenses**

Direct expenses are assigned to the various functional categories based on the purpose achieved by each expense. Indirect expenses are allocated to more than one functional category in accordance with an estimate of the relative benefit received by the expenses. Indirect expenses consist mainly of certain personnel and occupancy costs. Expenses are classified in the following functional categories:

*ReStore* – The Corporation owns and operates a resale store which provides discounted building supplies and furnishings to low income families to enable them to better maintain their homes. This operation provides a vehicle for accepting, distributing and selling donated goods. Also, revenue from the store generates financial resources for funding programs.

*Home Ownership* – The Corporation builds new homes that are made available for sale to eligible home buyers. The Corporation facilitates a loan program that is available to eligible home buyers to finance the purchase of their home. In addition, the Corporation assists homeowners with home repairs.

*Management and General* – These expenses include the costs of operations which do not relate specifically to other functional categories, but benefit all functions indirectly.

*Fundraising* – These expenses include the costs of fundraising efforts.

**NOTE 2 – MORTGAGE ESCROW DEPOSITS**

The Corporation contracts with AmeriNational to service its mortgages. Under the agreement, AmeriNational collects mortgage payments and administers the escrow funds on behalf of the Corporation. The amount held by AmeriNational is reported as Deposits – AmeriNational on the Statements of Financial Position. The amount held on behalf of mortgagors is reported as Mortgage Escrow on the Statements of Financial Position.

**Notes to Financial Statements**  
**June 30, 2018 and 2017**  
**Alachua Habitat for Humanity, Inc.**

**NOTE 3 – INVESTMENT PROPERTIES**

The Corporation's home ownership program includes the acquisition and development of properties. The following represents the Corporation's investment in these properties:

	2018	2017
Construction in Progress	\$ 407,519	\$ 157,297
Purchased Land Parcels	\$ 88,900	\$ 66,300
Donated Land Parcels	159,700	198,700
Total Land Held for Future Use	\$ 248,600	\$ 265,000

*Construction in Progress* – Includes the construction costs of twelve properties at June 30, 2018, and eight properties at June 30, 2017.

*Purchased Land* – Includes the costs incurred for purchases of parcels of land since July 1, 2013. The carrying values for parcels of land purchased prior to July 1, 2013, are based on an estimate of fair value after a one-time impairment adjustment.

*Donated Land* – Includes the fair market value of parcels donated since July 1, 2013, as measured on the date of donation. The carrying values of parcels of land donated prior to July 1, 2013, are based on an estimate of fair value after a one-time impairment adjustment.

**NOTE 4 – MORTGAGE NOTES RECEIVABLE**

The Corporation provides interest-free mortgage loans on single-family houses that are sold to qualified buyers as part of the Home Ownership program. When the purchase of a home is closed, the Corporation computes the net present value of the expected future cash flows of the loan. The difference between the face amount of the loan and the net present value is recorded as a discount and as Grants/Assistance to Individuals – Mortgage Discount expense.

These loans are discounted by imputing a rate of interest that is estimated to be the prevailing market rate of interest at the time the loan is closed. Discounts are amortized using the effective interest method over the term of the mortgages. Discount amortization is reported as Interest Income in the Statement of Activities.

The majority of the mortgages have an original maturity of twenty to thirty years, although some are longer. No allowance for uncollectible accounts is considered necessary due to collateralization of loans by single-family houses. Management estimates that the value of the houses is sufficient to adequately collateralize the receivables. For this reason, the amount and impact of impaired loans is not considered material to the financial statements. Future assessments of the allowance for uncollectable loans is dependent on the real estate sector of Alachua County, Florida.

**Notes to Financial Statements**  
**June 30, 2018 and 2017**  
**Alachua Habitat for Humanity, Inc.**

**NOTE 4 – MORTGAGE NOTES RECEIVABLE (concluded)**

In addition, at the closing date, all homebuyers sign a second mortgage with the Corporation for the difference between the market value and the purchase price. (The Corporation sells its homes at its cost, not to exceed market value.) As a result, the purchase price is always equal to or less than market value. The second mortgage is forgiven in a variety of ways, including either on a periodic basis over a period of time, or at the conclusion of the first mortgage. If the homeowner sells the home during the period the second mortgage is being forgiven, the homeowner must pay the difference between the original amount of the second mortgage and the portion forgiven to the Corporation. The Corporation does not report revenue and a related asset at the time of sale since historical data indicates that the likelihood of future receipts from these second mortgages is remote.

Mortgage notes receivable and the related discounts are as follows:

	<u>2018</u>	<u>2017</u>
Mortgage notes receivable	\$ 2,781,578	\$ 2,581,678
Discounts ranging from 2.3% to 6.5%	<u>(977,678)</u>	<u>(891,748)</u>
<b>Net</b>	<b><u>\$ 1,803,900</u></b>	<b><u>\$ 1,689,930</u></b>

Changes in the discount are as follows:

	<u>2018</u>	<u>2017</u>
Discount, Beginning of Year	\$ 891,748	\$ 838,615
Discount on Homes Sold	276,485	135,465
Discount on Mortgages Sold	(87,277)	--
Discount on Mortgages for Homes repossessed	(22,356)	--
Amortization - Interest	<u>(80,922)</u>	<u>(82,332)</u>
<b>Discount, End of Year</b>	<b><u>\$ 977,678</u></b>	<b><u>\$ 891,748</u></b>

Mortgages receivable are expected to be received as follows:

	<u>2018</u>	<u>2017</u>
Less than 1 year	\$ 178,731	\$ 176,686
1 to 5 years	833,290	830,681
6 to 10 years	671,383	679,580
11 to 15 years	502,078	482,160
16 to 20 years	365,311	310,469
21 to 25 years	202,192	97,306
25 to 30 years	<u>28,593</u>	<u>4,796</u>
<b>Total</b>	<b><u>\$ 2,781,578</u></b>	<b><u>\$ 2,581,678</u></b>

The Corporation has entered into arrangements to transfer certain mortgages to various financial institutions. These transfers are accounted for as sales; however, the Corporation continues to collect the payments on the mortgages and to remit those payments to the respective financial institutions. (See Note 12 for information on current year sales, if any.) The face value of the mortgages transferred were \$1,221,877 and \$1,072,575 as of June 30, 2018 and 2017, respectively.

**Notes to Financial Statements**  
**June 30, 2017 and 2018**  
**Alachua Habitat for Humanity, Inc.**

**NOTE 5 - INVESTMENTS**

Investments are held in an Edward Jones investment account and consist of the following:

	<u>2018</u>	<u>2017</u>
Money Market	\$ 24,256	\$ 10,584
Certificates of Deposit	--	126,003
Federally Tax Exempt Municipal Bonds	--	149,115
<b>Total Investments</b>	<b><u>\$ 24,256</u></b>	<b><u>\$ 285,702</u></b>

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 45,000	\$ 45,000
Buildings and Improvements	989,999	989,999
Furniture, Fixtures, and Equipment	55,635	21,004
Vehicle	16,203	16,203
Accumulated Depreciation	<u>(305,765)</u>	<u>(267,564)</u>
<b>Net Property and Equipment</b>	<b><u>\$ 801,072</u></b>	<b><u>\$ 804,642</u></b>

**NOTE 7 - LINE OF CREDIT**

The Corporation entered into a line of credit agreement with a bank for a maximum amount of \$400,000. Monthly payments of interest are due at a fixed interest rate of 5%. The line of credit expires April 25, 2019. The line of credit is collateralized by the Corporation's mortgage notes receivable.

**NOTE 8 - NOTE PAYABLE**

Habitat for Humanity International, Inc. (HFHI) and the Corporation entered into a grant agreement whereby HFHI advanced the Corporation grant funds, \$16,250 of which is to be repaid. The note is non-interest bearing and calls for monthly payments of \$338 beginning January 1, 2020. Future debt service follows:

Amounts due in fiscal year ending:	
June 30, 2019	\$ --
June 30, 2020	2,028
June 30, 2021	4,056
June 30, 2022	4,056
June 30, 2023	4,056
June 30, 2024	<u>2,054</u>
<b>Total Note Payable</b>	<b><u>\$ 16,250</u></b>

**NOTE 9 - DEPOSITS HELD**

The Corporation collects deposits which are applied towards future home purchases. At June 30, 2018 and 2017, the Corporation held \$8,751 and \$8,001, respectively.

**Notes to Financial Statements**  
**June 30, 2018 and 2017**  
**Alachua Habitat for Humanity, Inc.**

**NOTE 10 – HOME REPAIRS**

Home repairs were comprised of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Critical Home Repairs	8	5
A Brush with Kindness	4	4
<b>Total Projects</b>	<b><u>12</u></b>	<b><u>9</u></b>

**NOTE 11 – HOMES SALES**

The Corporation sold five homes during the year ended June 30, 2018, and five during the year ended June 30, 2017. A comparison of sales and cost of sales related to these transactions follows:

	<u>2018</u>	<u>2017</u>
Home Sales Revenues	\$ 652,767	\$ 543,388
Cost of Home Sales	<u>(562,125)</u>	<u>(497,965)</u>
<b>Net Gain on Home Sales</b>	<b><u>\$ 90,642</u></b>	<b><u>\$ 45,423</u></b>

Sales revenues were comprised of the following:

	<u>2018</u>	<u>2017</u>
Mortgage Loans	\$ 621,253	\$ 538,888
Cash	<u>31,514</u>	<u>4,500</u>
<b>Total Proceeds</b>	<b><u>\$ 652,767</u></b>	<b><u>\$ 543,388</u></b>

**NOTE 12 – GAINS AND LOSSES**

Amounts reported as Gains and Losses consist of the following:

	<u>2018</u>	<u>2017</u>
Mortgage Loans Sold – Face Value	\$ (205,841)	\$ --
Mortgage Loans Sold – Discount	87,277	--
Mortgage Loans Sold – Sales Proceeds	<u>157,931</u>	<u>--</u>
Net Gain on Sale of Mortgage Loans	39,367	--
Net Loss on Sale of Other Assets	--	(2,950)
Net Gain on Repossession	<u>39,368</u>	<u>--</u>
<b>Net Gain (Loss)</b>	<b><u>\$ 78,735</u></b>	<b><u>\$ (2,950)</u></b>

**Notes to Financial Statements**  
**June 30, 2018 and 2017**  
**Alachua Habitat for Humanity, Inc.**

**NOTE 13 – DONATED SERVICES**

The Corporation received donated services that met the criteria for recognition. These amounted to \$68,147 and \$56,134 for the years ended June 30, 2018 and 2017, respectively, and these amounts are included in In-kind Contributions Revenue in the Statement of Activities.

In addition, the Corporation received donated services that did not meet the criteria for recognition. A total of 19,236 hours in 2018 and 16,017 hours in 2017 of donated services not recognized were received that supported program services, including volunteering in the ReStore and construction of homes. The Corporation also received 411 hours in 2018 and 314 hours in 2017 of volunteer time from its board members. These donations supported the general and administrative activities of the Corporation. At \$23.33 per hour, this amounts to \$458,365 in 2018, and at \$22.70 per hour, this amounts to \$370,714 in 2017 of additional contributions and expenses. These hourly rates are the estimated value per hour of volunteer time for Florida as provided by Independent Sector, [www.independentsector.org/volunteer\\_time](http://www.independentsector.org/volunteer_time).

**NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of donations received where the donors have restricted the gifts for the construction costs of a particular house. These amounts are purpose restricted and are expected to be used by the Corporation in the subsequent year.

**NOTE 15 – RELATED PARTY TRANSACTIONS**

The Corporation made contributions as a title of \$7,270 and \$6,936 in 2018 and 2017, respectively, to Habitat for Humanity International, a worldwide organization with whom the Corporation is affiliated.

The Corporation received grants of \$61,383 in 2018 and \$0 in 2017 from affiliated agencies.

**NOTE 16 – SUBSEQUENT EVENTS**

The Corporation has evaluated events and transactions for potential recognition or disclosure through March 19, 2019, which is the date the financial statements were available to be issued.