

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
ATHENS COUNTY
AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017**

HABITAT FOR HUMANITY OF SOUTHEAST OHIO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity of Southeast Ohio

We have audited the accompanying financial statements of Habitat for Humanity of Southeast Ohio (a nonprofit 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 year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 Habitat for Humanity of Southeast Ohio 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.

A handwritten signature in black ink that reads "JC & Company".

JC & Company
Lancaster, Ohio
January 8, 2019

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	Restated 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 594,590	\$ 499,057
Cash and cash equivalents - restricted	102,502	110,194
Cash held in escrow	28,540	21,463
Current portion mortgage loans receivable	112,698	106,378
Construction in progress	398,376	284,550
Inventory	1,989	2,197
Other receivables	3,442	740
Prepaid expenses	7,740	3,870
TOTAL CURRENT ASSETS	1,249,877	1,028,449
NON-CURRENT ASSETS		
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$1,296,882 and \$1,287,816,	1,054,944	1,034,905
Property and equipment, net	1,178,506	1,172,047
Land for future construction	147,805	195,405
Investments	360,869	10,000
TOTAL NON-CURRENT ASSETS	2,742,124	2,412,357
TOTAL ASSETS	\$ 3,992,001	\$ 3,440,806
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 23,144	\$ 23,265
Escrow deposits, net	31,445	29,386
Accrued and withheld taxes	3,826	8,163
Accrued payroll and related taxes	22,903	-
Accrued interest	2,126	2,126
Accrued vacation	14,376	11,283
Amount due to affiliates	-	670
Current portion long-term debt	24,321	24,768
TOTAL CURRENT LIABILITIES	122,141	99,661
LONG-TERM DEBT, less current portion	757,695	782,049
TOTAL LIABILITIES	879,836	881,710
NET ASSETS		
Unrestricted	2,704,191	2,463,976
Temporarily restricted	407,974	95,120
TOTAL NET ASSETS	3,112,165	2,559,096
TOTAL LIABILITIES AND NET ASSETS	\$ 3,992,001	\$ 3,440,806

See notes to the financial statements

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018			Restated 2017		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL NET ASSETS	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL NET ASSETS
REVENUE, GAINS AND OTHER SUPPORT						
Donations, net of related expenses	\$ 255,503	\$ 456,028	\$ 711,531	\$ 397,231	\$ -	\$ 397,231
Grants	167,911	-	167,911	198,789	-	198,789
Coalition contributions, net of related expenses	-	56,328	56,328	-	66,809	66,809
Interest earned	1,686	-	1,686	201	-	201
Sales ReStore	547,038	-	547,038	514,519	-	514,519
Home sales	187,512	-	187,512	479,731	-	479,731
Construction income	-	-	-	2,693	-	2,693
Other revenue	31,693	-	31,693	292	-	292
Mortgage discount amortization	62,806	-	62,806	89,251	-	89,251
Rent income	-	-	-	720	-	720
Net assets released from restrictions	199,502	(199,502)	-	37,361	(37,361)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,453,651</u>	<u>312,854</u>	<u>1,766,505</u>	<u>1,720,788</u>	<u>29,448</u>	<u>1,750,236</u>
EXPENSES						
Housing	680,898	-	680,898	911,297	-	911,297
ReStore	362,830	-	362,830	389,190	-	389,190
Fundraising	101,072	-	101,072	93,547	-	93,547
Management and general	81,036	-	81,036	87,950	-	87,950
TOTAL EXPENSES	<u>1,225,836</u>	<u>-</u>	<u>1,225,836</u>	<u>1,481,984</u>	<u>-</u>	<u>1,481,984</u>
CHANGE IN NET ASSETS FROM OPERATIONS	227,815	312,854	540,669	238,804	29,448	268,252
OTHER INCOME (EXPENSE)						
In-kind income	660,287	-	660,287	612,450	-	612,450
In-kind expense	(647,887)	-	(647,887)	(612,450)	-	(612,450)
TOTAL OTHER INCOME (EXPENSES)	<u>12,400</u>	<u>-</u>	<u>12,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	240,215	312,854	553,069	238,804	29,448	268,252
NET ASSETS - BEGINNING OF YEAR	2,463,976	95,120	2,559,096	1,934,972	65,672	2,000,644
Acquisition of Habitat for Humanity of Perry and Hocking Counties	-	-	-	290,200	-	290,200
NET ASSETS - END OF YEAR	<u>\$ 2,704,191</u>	<u>\$ 407,974</u>	<u>\$ 3,112,165</u>	<u>\$ 2,463,976</u>	<u>\$ 95,120</u>	<u>\$ 2,559,096</u>

See notes to the financial statements

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	HOUSING	RESTORE	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL
Salaries and wages	\$ 247,826	\$ 192,562	-	\$ 48,662	\$ 489,050
Payroll taxes and employee benefits	31,398	25,985	-	6,582	63,965
Total Compensation	<u>279,224</u>	<u>218,547</u>	<u>-</u>	<u>55,244</u>	<u>553,015</u>
Capital campaign	-	-	94,190	-	94,190
Cost of sales	247,625	-	-	-	247,625
Depreciation	-	33,063	-	-	33,063
Fundraising expense	-	-	4,582	-	4,582
Insurance	7,998	11,549	-	-	19,547
Interest expense	-	31,136	-	-	31,136
International mission support	23,377	-	-	-	23,377
Mortgage discounts	71,872	-	-	-	71,872
Office supplies and expenses	8,873	12,205	-	-	21,078
Printing	1,466	-	1,000	-	2,466
Professional fees	12,000	-	-	23,592	35,592
Publicity and advertising	-	5,693	500	-	6,193
Rent	1,290	-	-	-	1,290
Repairs and maintenance	11,091	4,985	800	-	16,876
Taxes, insurance and fees	-	15,258	-	-	15,258
Travel and meetings	6,548	-	-	2,200	8,748
Utilities	7,710	22,651	-	-	30,361
Vehicle expense	1,824	7,743	-	-	9,567
TOTAL FUNCTIONAL EXPENSES	<u>\$ 680,898</u>	<u>\$ 362,830</u>	<u>\$ 101,072</u>	<u>\$ 81,036</u>	<u>\$ 1,225,836</u>

See notes to the financial statements

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
STATEMENT OF FUNCTIONAL EXPENSES - RESTATED
Year Ended June 30, 2017

	HOUSING	RESTORE	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL
Salaries and wages	\$ 173,988	\$ 189,536	-	\$ 42,665	\$ 406,189
Payroll taxes and employee benefits	20,948	24,890	-	6,452	52,290
Total Compensation	<u>194,936</u>	<u>214,426</u>	<u>-</u>	<u>49,117</u>	<u>458,479</u>
Capital campaign	-	-	76,600	-	76,600
Cost of sales	423,404	10,284	-	-	433,688
Depreciation	-	31,014	-	-	31,014
Fundraising expense	-	-	8,820	-	8,820
Insurance	6,859	11,849	-	-	18,708
Interest expense	-	36,005	-	-	36,005
International mission support	9,482	-	-	-	9,482
Mortgage discounts	194,358	-	-	-	194,358
Office supplies and expenses	17,624	7,820	1,000	8,911	35,355
Printing	4,215	957	572	-	5,744
Professional fees	17,583	7,856	-	14,596	40,035
Publicity and advertising	14,530	16,859	6,555	3,292	41,236
Rent	1,026	-	-	-	1,026
Repairs and maintenance	2,252	8,176	-	850	11,278
Taxes, insurance and fees	9,854	13,235	-	2,785	25,874
Travel and meetings	12,526	1,726	-	5,902	20,154
Utilities	703	23,201	-	2,497	26,401
Vehicle expense	1,945	5,782	-	-	7,727
TOTAL FUNCTIONAL EXPENSES	<u>\$ 911,297</u>	<u>\$ 389,190</u>	<u>\$ 93,547</u>	<u>\$ 87,950</u>	<u>\$ 1,481,984</u>

See notes to the financial statements

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
STATEMENTS OF CASH FLOWS
JUNE 30, 2018

	2018	Restated 2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 553,069	\$ 268,252
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	33,063	31,014
Mortgage discount amortization	(62,806)	(89,251)
Mortgage discount expense	71,872	194,358
(Increase) decrease in assets:		
Cash - temporarily restricted	7,692	(44,522)
Cash held in escrow	(7,077)	3,278
Mortgages receivable	(65,882)	(220,360)
Grants receivable	-	32,500
Construction in progress	(113,825)	(74,144)
Inventory	208	306
Other receivables	(2,702)	(440)
Prepaid expenses	(3,869)	(1,028)
Land for future construction	60,000	(95,154)
Increase (decrease) in liabilities		
Accounts payable	(121)	(1,539)
Escrow deposits	2,056	10,866
Accrued payroll and taxes	18,566	(352)
Accrued vacation	3,093	-
Amounts due to affiliates	(670)	376
NET CASH PROVIDED BY OPERATING ACTIVITIES	492,667	14,160
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(39,523)	(27,948)
Earnings from investments	17,161	-
Purchase of investments	(350,000)	(10,000)
Acquisition by merger	-	185,090
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(372,362)	147,142
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(24,772)	(24,420)
CHANGE IN CASH AND CASH EQUIVALENTS	95,533	136,882
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	499,057	362,175
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 594,590	\$ 499,057
SUPPLEMENTAL DISCLOSURES:		
SCHEDULE OF NON-CASH TRANSACTIONS		
In-kind support for materials and labor in construction	\$ 37,350	\$ 27,500
SCHEDULE OF INTEREST PAID IN CASH		
Interest expense	\$ 31,136	\$ 36,005

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

1. NATURE OF ACTIVITIES

Habitat for Humanity of Southeast Ohio (the Organization) is a faith-based organization with the mission of eliminating substandard housing in seven counties throughout southeast Ohio. The primary activity of the Organization is the development of affordable, single-family homes through the use of donated funds and volunteer labor. The homes are sold with zero-interest mortgages to eligible families. This provides increased home ownership opportunities to qualifying residents of these counties.

The Organization also operates two ReStore facilities, one in Athens and one in Zanesville, Ohio. The ReStore operations are home improvement stores that sell new and gently used furniture, home accessories, building materials, and appliances to the public.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues and expenses are identified within specific periods of time and are recorded as incurred, along with acquired assets, without regard to the date of receipt or the payment of cash.

Financial Statement Presentation

The Organization has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958-210, *Presentation of Financial Statements*. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. The Organization has temporarily restricted assets at this time for the balances in the coalition checking accounts.

During the years ended June 30, 2018 and 2017, net assets in the amount of \$199,502 and \$37,361, respectively, were released from restriction to cover costs of the various home building projects.

- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. As of June 30, 2018, the Organization did not have any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and may impact future reporting periods.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include all highly liquid investment instruments with original maturities of three months or less.

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash – Restricted

The restricted cash is comprised of cash provided by the various project affinity groups (coalitions) for home construction costs. These coalitions have been formed in order to coordinate fundraising and volunteer efforts for certain house-building projects. The coalitions collect certain funds that are restricted for building costs on the projects. Any excess funds remaining are retained in the coalition accounts for future projects and are reported as temporarily restricted net assets.

Cash Held in Escrow

The Organization currently services the mortgages on the homes it sells. Included in assets held in escrow on the balance sheet are amounts received from the homeowners for insurance and property taxes on the homes. These cash amounts are recorded in cash held in escrow, which are offset by escrow deposits payable. The Organization had contributed \$3,595 to the cash held in escrow account to cover real estate taxes and homeowners' insurance for homeowners that have a negative balance in the escrow account.

Inventory

ReStore sells donated building and home supplies to help support the Organization's mission. These in-kind donations have no carrying value until sold. ReStore purchases some items for resale. This inventory is valued at the lower of cost or market determined by the first-in, first-out method.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the payment and expense is recorded in the year in which the services are consumed.

Mortgages Receivable

Mortgages receivable consists of non-interest-bearing mortgages which are secured by the homes sold and are payable to the Organization by the partner families in monthly installments. The amount recorded as receivable is net of unamortized discount. Habitat's concentration of credit risk with respect to mortgage loans receivable depends on its partner families' ability to pay, which varies with economic condition in the area. The Organization considers the mortgage loans 100% collectable since they can foreclose and resell the property at more than owed due to the partner equity required during the build. Therefore, there is no allowance for uncollectable accounts related to this account.

Property and Equipment

Property and equipment are recorded at cost if purchased or at estimated fair market value at the date of donation. Expenditures for major additions and improvements over \$1,000 are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation of the related assets is provided using the straight-line method over estimated economic, useful lives ranging from 5 to 39 years. Property and equipment by various classes is detailed as follows:

	2018	2017
Land in Use	\$ 359,742	\$ 359,742
Leasehold Improvements	69,081	69,081
Equipment	21,995	21,995
Buildings	782,364	782,364
Vehicles	78,464	78,464
Construction in progress	39,522	-
Total	1,351,168	1,311,646
Less: Accumulated Depreciation	172,662	139,599
Property and Equipment, Net	\$ 1,178,506	\$ 1,172,047

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Organization has been classified as other than a private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2018.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to tax examinations for years prior to 2015.

Donated Services

The Organization receives donated services from a variety of unpaid volunteers. Since the donations do not meet the recognition criteria of FASB ASC 958-605-25-16, no amounts have been recorded in the financial statements.

Advertising

The Organization expenses advertising as incurred and was \$6,193 and \$41,236 for the years ended June 30, 2018 and 2017, respectively.

Fair Value of Financial Instruments

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents and accounts payable, approximate carrying value due to the short-term maturity of the instruments. The fair value of short-term and long-term mortgage loans (net of discount) receivable and debt amounts payable approximate their carrying value and are based on their effective interest rates compared to current market rates.

Leases

The Organization leases office space from the City of Athens, paying \$600 for the fiscal years ended June 30, 2018 and 2017.

Interest Expense

All interest incurred by the Organization was expensed. None was associated with product financing arrangements and none was capitalized.

In-Kind Contributions

In-kind contributions are recorded at fair market value. In-kind contributions to the ReStore are not tracked and recorded in the financial statements but recognized as cost of goods sold at the time of sale when the fair market value is determined. In-kind contributions of building materials are recognized when they are received. Contributions for the years ended June 30, 2018 and 2017 were \$37,350 and \$27,500, respectively.

Transfers (Sales) to Homeowners/Mortgage Discount/Amortization of Mortgage Discounts

A transfer (sale) to a homeowner is recorded when the home is occupied, and title is transferred to the partner family. The transfer is recorded at the gross amount of payments required to be remitted over the lives of the non-interest-bearing mortgages. Mortgages are discounted at the time of the transfer to the homeowner based upon prevailing market rates, currently 7.51%. The discount is reflected in the statement of activities as mortgage discount expense when the loan is booked. Discounts are amortized over the life of the mortgage using the effective interest method. The annual charge to the discount is recorded as mortgage discount amortization (revenue) in the statement of activities.

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements

In May 2014, the FASB issued Revenue from Contracts with Customers (Topic 606, ASU 2014-09). The objective of the guidance in this Topic is to establish the principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle is that the entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For nonprofit entities, the amendments as deferred by ASU 2015-14 are effective for annual reporting periods beginning after December 15, 2018. Early adoption and retrospective application is permitted with limitations. The Organization has not adopted the pronouncement.

In February 2016, the FASB issued Leases (Topic 842, ASU 2016-03). The guidance in this Update supersedes Topic 840, Leases. The amendments in the Update recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. A lessee should recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, unless the term of the lease is 12 months or less. The Update specifies the requirements of lessees for recognition and classification for financial statement purposes for finance leases and operating leases. For lessors, the vast majority of operating leases should remain classified as operating leases, and lessors should continue to recognize lease income for those leases on a generally straight-line basis over the lease term. For nonprofit entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities. The Organization has not adopted the pronouncement.

In August 2016, the FASB issued Not-for-Profit Entities (Topic 958, ASU 2016-14). The main provisions of this Update, amend the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities (NFP). These provisions include, but are not limited to, presenting two classes of net assets at the end of the period, rather than presenting three classes on the statement of financial position and changes in each of the two classes of net assets on the statement of activities; operating cash flows can present using either the direct or indirect method, but no longer requires presentation or disclosure on the indirect method, if using the direct method; and enhancing disclosures, how an NFP manages its liquid resources to meet cash needs, availability of financial assets to balance sheet date to meet cash needs for general expenditures, amounts of expenses by both natural classifications and functional classification as well as methods used to allocate those costs, and underwater endowment funds; reporting investment return net of investment expenses and no longer requiring disclosure of netted expenses; and using the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct long-lived assets and reclassify amounts from restrictions to without restrictions when placed in service, in absence of donor stipulations. The amendments in this Update are effective for fiscal years beginning after December 15, 2017. Early application is permitted and should be applied on a retrospective basis in the year that the Update is first applied, with exceptions for comparative financial statements. The Organization has not adopted the pronouncement.

3. ACCRUED VACATION

In accordance with the Organization's personnel policies, its employees earn vacation throughout the year. Vacation benefits are allowed to accrue annually up to 15 days for exempt staff and up to 5 days for non-exempt staff. Any unused vacation is paid to an employee upon termination of employment. Accrued vacation is reported on the statement of financial position and was \$14,376 and \$11,283, respectively.

HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017

4. NOTES PAYABLE AND LONG-TERM DEBT

Long-term debt is comprised of notes payables to banks and Habitat for Humanity International with the following characteristics:

<u>Monthly Payment</u>	<u>Interest Rate</u>	<u>Date Due</u>	<u>Balance</u>
\$ 333	4.00%	August, 2020	\$ 100,000
\$ 2,308	4.50%	February, 2023	359,138
\$ 2,179	4.25%	February, 2036	322,878
			<u>782,016</u>
Less: Current Portion			24,321
Total Long-Term Debt			<u>\$ 757,695</u>

The amount of the payment listed for each note includes interest and principal. The notes are installment notes and are payable for the acquisition of property and equipment and are payable to various financial institutions and governmental entities. These notes have been collateralized by property and equipment.

Long-term debt maturing within each of the next five years subsequent to June 30, 2018 is as follows:

Year ending June 30:

2019	\$ 24,321
2020	124,897
2021	26,131
2022	26,923
2023	19,432
Thereafter	<u>560,312</u>
	<u>\$ 782,016</u>

5. CONCENTRATIONS

The Organization has concentrated its credit risk for cash by maintaining deposits in excess of the FDIC limit in a financial institution. The maximum loss that would have resulted from that risk totaled \$415,866 and \$362,342 at June 30, 2018 and 2017, respectively, for the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by federal insurance.

The Organization receives a substantial amount of support, directly or indirectly, from federal, state, and local grants. A significant reduction in the level of this support, if such were to occur, would have a material effect on the Organization's programs and activities.

6. CAPITAL CAMPAIGN

The Organization has initiated a capital campaign with goals to build a new office, training center, and endowment fund to enhance programs throughout Southeast Ohio. As such, the Organization will incur additional expenses relating to the campaign and management of the campaign. These expenses will continue into the June 30, 2019 fiscal year.

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017**

7. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International (HFHI). These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2018 and 2017, the Organization contributed \$23,377 and \$9,482, respectively, to HFHI. Such expenses are recorded as international mission support within housing expense in the Statement of Functional Expenses.

In 2016, the Organization received \$100,000 to fund construction. This loan has a 4% interest rate with interest only payments until maturity in August 2020. This loan is included in long-term debt.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 8, 2019, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.