

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO  
ATHENS COUNTY  
AUDITED FINANCIAL STATEMENTS  
Years Ended June 30, 2019 and 2018**

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO**

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Jeanette R. Addington, MBA, CPA, CGFM ▪ Brian D. Long, CPA, PFS, CFF ▪ Keith A. Lewis, CPA

## 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, 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 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, 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.

*Emphasis of Matter*

As discussed in Note 2 to the financial statements, as of and for the years ended June 30, 2019 and 2018, Habitat for Humanity of Southeast Ohio adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "JC & Company".

JC & Company  
Lancaster, Ohio  
December 11, 2019

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2019 and 2018

ASSETS	2019	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 257,044	\$ 594,590
Cash and cash equivalents - restricted	104,496	102,502
Cash held in escrow	35,815	28,540
Current portion mortgage loans receivable	119,557	112,698
Construction in progress	406,523	398,376
Inventory	16,243	1,989
Other receivables	-	3,442
Prepaid expenses	6,632	7,740
<b>TOTAL CURRENT ASSETS</b>	<b>946,310</b>	<b>1,249,877</b>
<b>NON-CURRENT ASSETS</b>		
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$1,321,120 and \$1,296,882	1,103,232	1,054,944
Property and equipment, net	1,527,385	1,178,506
Land for future construction	182,035	147,805
Investments	818,408	360,869
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,631,060</b>	<b>2,742,124</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,577,370</b>	<b>\$ 3,992,001</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 41,020	\$ 23,144
Escrow deposits, net	32,796	31,445
Accrued and withheld taxes	4,246	3,826
Accrued payroll and related taxes	24,498	22,903
Accrued interest	2,126	2,126
Accrued vacation	15,366	14,376
Amount due to affiliates	50	-
Current portion long-term debt	23,564	24,321
<b>TOTAL CURRENT LIABILITIES</b>	<b>143,666</b>	<b>122,141</b>
<b>LONG-TERM DEBT, less current portion</b>	<b>635,099</b>	<b>757,695</b>
<b>TOTAL LIABILITIES</b>	<b>778,765</b>	<b>879,836</b>
<b>NET ASSETS</b>		
Without donor restrictions	3,655,139	2,704,191
With donor restrictions	143,466	407,974
<b>TOTAL NET ASSETS</b>	<b>3,798,605</b>	<b>3,112,165</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,577,370</b>	<b>\$ 3,992,001</b>

See notes to financial statements

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2019 and 2018**

	2019			2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL NET ASSETS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL NET ASSETS
<b>REVENUE, GAINS AND OTHER SUPPORT</b>						
Donations, net of related expenses	\$ 403,938	\$ 373,483	\$ 777,421	\$ 255,503	\$ 456,028	\$ 711,531
Grants	220,359	-	220,359	167,911	-	167,911
Coalition contributions, net of related expenses	-	65,476	65,476	-	56,328	56,328
Interest earned	2,319	-	2,319	1,686	-	1,686
Sales ReStore	613,155	-	613,155	547,038	-	547,038
Home sales	230,741	-	230,741	187,512	-	187,512
Other revenue	22,614	-	22,614	31,693	-	31,693
Mortgage discount amortization	66,839	-	66,839	62,806	-	62,806
Net assets released from restrictions	703,467	(703,467)	-	199,502	(199,502)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>2,263,432</b>	<b>(264,508)</b>	<b>1,998,924</b>	<b>1,453,651</b>	<b>312,854</b>	<b>1,766,505</b>
<b>EXPENSES</b>						
Housing	748,470	-	748,470	680,898	-	680,898
ReStore	388,952	-	388,952	362,830	-	362,830
Fundraising	83,873	-	83,873	101,072	-	101,072
Management and general	65,717	-	65,717	81,036	-	81,036
<b>TOTAL EXPENSES</b>	<b>1,287,012</b>	<b>-</b>	<b>1,287,012</b>	<b>1,225,836</b>	<b>-</b>	<b>1,225,836</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>976,420</b>	<b>(264,508)</b>	<b>711,912</b>	<b>227,815</b>	<b>312,854</b>	<b>540,669</b>
<b>OTHER INCOME (EXPENSE)</b>						
In-kind income	635,028	-	635,028	660,287	-	660,287
In-kind expense	(660,500)	-	(660,500)	(647,887)	-	(647,887)
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<b>(25,472)</b>	<b>-</b>	<b>(25,472)</b>	<b>12,400</b>	<b>-</b>	<b>12,400</b>
<b>CHANGE IN NET ASSETS</b>	<b>950,948</b>	<b>(264,508)</b>	<b>686,440</b>	<b>240,215</b>	<b>312,854</b>	<b>553,069</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>2,704,191</b>	<b>407,974</b>	<b>3,112,165</b>	<b>2,463,976</b>	<b>95,120</b>	<b>2,559,096</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,655,139</b>	<b>\$ 143,466</b>	<b>\$ 3,798,605</b>	<b>\$ 2,704,191</b>	<b>\$ 407,974</b>	<b>\$ 3,112,165</b>

See notes to financial statements

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2019

	HOUSING	RESTORE	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL
Salaries and wages	\$ 248,882	\$ 210,539	\$ 30,000	\$ 50,000	\$ 539,421
Payroll taxes and employee benefits	29,842	25,544	3,400	5,500	64,286
Total Compensation	<u>278,724</u>	<u>236,083</u>	<u>33,400</u>	<u>55,500</u>	<u>603,707</u>
Capital campaign	-	-	39,778	-	39,778
Cost of sales	285,771	-	-	-	285,771
Depreciation	-	33,083	-	-	33,083
Fundraising expense	-	-	10,695	-	10,695
Insurance	14,810	9,381	-	-	24,191
Interest expense	-	31,437	-	-	31,437
International mission support	24,932	-	-	-	24,932
Mortgage discounts	91,077	-	-	-	91,077
Office supplies and expenses	6,200	14,982	-	2,417	23,599
Printing	1,056	-	-	-	1,056
Professional fees	7,887	5,713	-	-	13,600
Publicity	3,200	7,800	-	7,000	20,600
Rent	594	-	-	-	11,000
Repairs and maintenance	3,800	7,983	-	-	594
Taxes, insurance and fees	9,636	9,466	-	-	11,783
Travel and meetings	11,085	-	-	-	19,102
Utilities	4,000	26,884	-	-	11,085
Vehicle expense	5,698	6,140	-	800	31,684
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 748,470</u>	<u>\$ 388,952</u>	<u>\$ 83,873</u>	<u>\$ 65,717</u>	<u>\$ 1,287,012</u>

See notes to 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>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	-	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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 680,898</u>	<u>\$ 362,830</u>	<u>\$ 101,072</u>	<u>\$ 81,036</u>	<u>\$ 1,225,836</u>

See notes to financial statements



**HABITAT FOR HUMANITY OF SOUTHEAST OHIO  
STATEMENTS OF CASH FLOWS  
JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 686,440	\$ 553,069
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	33,083	33,063
Mortgage discount amortization	(66,839)	(62,806)
Mortgage discount expense	91,077	71,872
(Increase) decrease in assets:		
Cash - restricted	(1,994)	7,692
Cash held in escrow	(7,275)	(7,077)
Mortgages receivable	(15,624)	(65,882)
Construction in progress	(8,147)	(113,825)
Inventory	(14,254)	208
Other receivables	3,442	(2,702)
Prepaid expenses	1,108	(3,869)
Land for future construction	(34,230)	60,000
Increase (decrease) in liabilities		
Accounts payable	17,878	(121)
Escrow deposits	1,351	2,056
Accrued payroll and taxes	1,705	18,566
Accrued vacation	993	3,093
Amounts due to affiliates	50	(670)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>688,764</b>	<b>492,667</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(416,553)	(39,523)
Earnings (loss) from investments	(2,319)	17,161
Purchase of investments	(484,085)	(350,000)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(902,957)</b>	<b>(372,362)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(123,353)	(24,772)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(337,546)</b>	<b>95,533</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>594,590</b>	<b>499,057</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 257,044</b>	<b>\$ 594,590</b>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
<b>SCHEDULE OF NON-CASH TRANSACTIONS</b>		
In-kind support for materials and labor in construction	\$ 23,730	\$ 37,350
<b>SCHEDULE OF INTEREST PAID IN CASH</b>		
Interest expense	\$ 31,437	\$ 31,136

HABITAT FOR HUMANITY OF SOUTHEAST OHIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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 adopted FASB ASU No. 2016-14, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Unrestricted net assets have been reclassified to net assets without donor restrictions for all periods presented.
- Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or a part of the income earned on any related investments for general or specific purposes. Temporarily restricted net assets have been reclassified to net assets with donor restrictions for all periods presented.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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 FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 net assets with donor restrictions.

**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.

**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, 2019 and 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 conditions 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:

	<u>2019</u>	<u>2018</u>
Land in Use	\$ 359,742	\$ 359,742
Leasehold Improvements	69,081	69,081
Equipment	21,995	21,995
Buildings	782,364	782,364
Vehicles	89,264	78,464
Construction in progress	410,684	39,522
Total	<u>1,733,130</u>	<u>1,351,168</u>
Less: Accumulated Depreciation	<u>205,745</u>	<u>172,662</u>
Property and Equipment, Net	<u>\$ 1,527,385</u>	<u>\$ 1,178,506</u>

HABITAT FOR HUMANITY OF SOUTHEAST OHIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

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 effect 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, 2019.

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 2016.

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 \$28,499 and \$23,536 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

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, 2019 and 2018 were \$23,730 and \$37,350, 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 FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Functional Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. All costs have been directly allocated according to their function within the Organization.

**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 is to amend the requirements for financial statements and notes in Top 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 adopted the pronouncement.

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 at June 30, 2019 and 2018 was \$15,366 and \$14,376, respectively.

**4. NOTES PAYABLE AND LONG-TERM DEBT**

Long-term debt is comprised of notes payables to banks with the following characteristics:

\$ 2,331	4.50%	February, 2023	\$ 347,902
\$ 2,179	4.25%	February, 2036	310,761
			658,663
Less: Current portion			23,564
Total Long-Term Debt			\$ 635,099

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, 2019 is as follows:

Year ending June 30:

2020		\$	23,564
2021			26,257
2022			27,456
2023			316,537
2024			15,438
Thereafter			249,411
		\$	658,663

**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 \$164,502 and \$415,866 at June 30, 2019 and 2018, 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, 2020 fiscal year.

**HABITAT FOR HUMANITY OF SOUTHEAST OHIO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, the Organization contributed \$24,932 and \$23,377, respectively, to HFHI. Such expenses are recorded as international mission support within housing expense in the Statement of Functional Expenses.

**8. AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at June 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 397,355	\$ 725,632
Current portion loans receivable	119,557	112,698
Other receivables	-	3,442
Prepaid expenses	6,632	7,740
Investments	818,408	360,869
	1,341,952	1,210,381
 Less restricted cash and cash equivalents	 140,311	 131,042
 <b>Financial assets available to meet 12 months of general expenses</b>	 <b>\$ 1,201,641</b>	 <b>\$ 1,079,339</b>

**9. NET ASSETS WITH DONOR RESTRICTIONS**

The net assets with donor restrictions includes the balances in the coalition checking accounts donations for house builds. During the years ended June 30, 2019 and 2018, \$703,467 and \$199,502, respectively, were released from restrictions to cover costs of various home building projects.

**10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 11, 2019, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.