HABITAT FOR HUMANITY OF BROWARD, INC.

Financial Statements
and
Independent Auditor's Report

For the Year Ended June 30, 2019
(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

Habitat for Humanity of Broward, Inc.

Contents

Independent Auditor's Report

The Board of Directors
Habitat for Humanity of Broward, Inc.
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Broward, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, whether due to fraud or error.

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 Broward, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Broward, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hancock Askew & Co., LLP

Coral Gables, Florida
October 29, 2019

Habitat for Humanity of Broward, Inc.

Statements of Financial Position

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

June 30,		**2019**		2018
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**6,291,421**	$	6,144,864
Restricted cash		**145,877**		494,812
Receivables				
Mortgages receivable, net		**1,165,596**		1,055,346
Contributions receivable, net		**732,984**		548,545
Prepaids and other current assets		**148,581**		31,800
Total current assets		**8,484,459**		8,275,367
Property and equipment, net		**1,664,680**		1,757,145
Other assets				
Receivables				
Mortgages receivable, net		**9,209,046**		8,113,292
Contributions receivable, net		**339,554**		365,397
Single family homes under construction		**7,114,438**		5,473,095
Investment in joint venture		**4,191,733**		-
Total other assets		**20,854,771**		13,951,784
Total assets	**$**	**31,003,910**	$	23,984,296
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	**$**	**181,404**	$	126,944
Other liabilities		**146,954**		494,812
Total current liabilities		**328,358**		621,756
Long-term debt				
Note payable - HFHI NMTC Sub-CDE III, LLC, net		**5,431,669**		-
Total liabilities		**5,760,027**		621,756
Net assets				
Without donor restriction		**23,355,143**		21,841,889
With donor restriction		**1,888,740**		1,520,651
Total net assets		**25,243,883**		23,362,540
Total liabilities and net assets	**$**	**31,003,910**	$	23,984,296

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity of Broward, Inc.

Statement of Activities and Changes in Net Assets

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

For the years ended June 30,			**2019**	2018
	Without Donor Restriction	**With Donor Restriction**	**Total**	Comparative Totals
Public support and revenue				
Home sales	**$ 2,601,576**	**$ -**	**$ 2,601,576**	$ 2,226,671
Contributions and grants	**2,076,685**	**1,590,310**	**3,666,995**	3,199,382
Sales - ReStore	**1,660,333**	**-**	**1,660,333**	1,720,282
Interest income	**878,185**	**-**	**878,185**	917,468
Donated goods and services	**595,150**	**-**	**595,150**	213,682
Other	**41,566**	**-**	**41,566**	4,258
Special events	**49,437**	**-**	**49,437**	22,334
Late-fee income	**32,727**	**-**	**32,727**	21,165
Rent income	**16,745**	**-**	**16,745**	18,347
Total public support and revenue	**7,952,404**	**1,590,310**	**9,542,714**	8,343,589
Net assets released from restriction due				-
to completion of purpose restrictions				-
and expiration of time restriction	**1,222,221**	**(1,222,221)**	**-**	-
Expenses				
Program services	**6,778,529**	**-**	**6,778,529**	5,604,696
Supporting services				
Management and general	**405,626**	**-**	**405,626**	410,354
Development, public relations, & fund-raising	**477,216**	**-**	**477,216**	411,422
Total expenses	**7,661,371**	**-**	**7,661,371**	6,426,472
Changes in net assets	**1,513,254**	**368,089**	**1,881,343**	1,917,117
Net assets - beginning of year	**21,841,889**	**1,520,651**	**23,362,540**	21,445,423
Net assets - end of year	**$ 23,355,143**	**$ 1,888,740**	**$ 25,243,883**	$ 23,362,540

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity of Broward, Inc.

Statements of Functional Expenses

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

For the years ended June 30, 2019 and 2018

	Program Services				Supporting Services				
	Home Constructions	**ReStore**	**Family Services and Others**	**Total Program Services**	**Management and General**	**Development, Public Relations, & Fund-Raising**	**Total Supporting Services**	**Total 2019**	**Comparative Totals 2018**
Salaries and wages	$ $388,811	$ $630,937	$ $283,242	$ 1,302,990	$ $147,152	$ $264,561	$ 411,713	$ 1,714,703	$ 1,418,572
Payroll taxes	30,747	49,895	22,399	103,041	11,637	20,922	32,559	135,600	118,268
Benefits	59,178	96,030	43,110	198,318	22,397	40,267	62,664	260,982	212,668
Cost of homes sold	4,220,601	-	-	4,220,601	-	-	-	4,220,601	3,507,664
Affiliate dues & tithing	55,550	-	-	55,550	-	-	-	55,550	72,037
Home repairs	8,995	-	-	8,995	-	-	-	8,995	-
Property taxes	11,896	-	-	11,896	-	-	-	11,896	19,675
Cost of purchased ReStore inventory sold	-	56,291	-	56,291	-	-	-	56,291	-
Contract labor	-	-	32,999	32,999	-	1,273	1,273	34,272	108,873
Telephone and utilities	6,072	77,794	6,064	89,930	16,284	1,180	17,464	107,394	98,592
Vehicle and machinery expenses	14,895	52,393	-	67,288	217	8	225	67,513	46,598
Insurance	49,839	46,725	6,928	103,492	10,311	5,099	15,410	118,902	102,825
Professional fees	3,883	6,268	38,590	48,741	50,164	8,327	58,491	107,232	90,124
Bank and credit card fees	1,011	20,552	3,786	25,349	2,113	2,817	4,930	30,279	26,482
Rent	24,759	-	16,506	41,265	16,506	12,379	28,885	70,150	70,566
Repairs and maintenance	5,913	26,355	-	32,268	7,798	-	7,798	40,066	50,191
Office supplies & expenses	1,117	20,914	3,599	25,630	19,036	949	19,985	45,615	34,517
Office equipment & software	952	9,953	11,726	22,631	32,176	11,389	43,565	66,196	61,827
Advertising	-	79,420	300	79,720	6,613	54,907	61,520	141,240	124,016
Bad debt expense	-	-	9,140	9,140	7	-	7	9,147	3,986
Interest expense	45,330	-	-	45,330	-	-	-	45,330	-
Other	6,995	32,803	51,419	91,217	60,055	53,138	113,193	204,410	168,399
Depreciation expense	15,540	90,307	-	105,847	3,160	-	3,160	109,007	90,592
Total expenses	$ 4,952,084	$ 1,296,637	$ 529,808	$ 6,778,529	$ 405,626	$ 477,216	$ 882,842	$ 7,661,371	$ 6,426,472

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity of Broward, Inc.

Statements of Cash Flows

(With Summarized Comparative Financial Information for the Year Ended June 30, 2018)

Years ended June 30,		**2019**		2018
Cash flows from operating activities				
Change in net assets	**$**	**1,881,343**	$	1,917,117
Adjustments to reconcile change in net assets to net cash				
(used in) provided by operating activities:				
Depreciation expense		**109,007**		90,592
Bad debt expense		**9,147**		3,986
Non-cash contribution		**(534,150)**		(148,882)
Imputed interest on non-interest bearing notes		**(878,185)**		(917,468)
Discount of mortgages on new home sales		**2,643,740**		1,673,106
Amortization of debt issuance costs included in interest expense		**45,330**		-
(Increase) decrease in assets				
Restricted cash		**348,935**		(61,717)
Mortgages receivable		**(2,971,559)**		(1,171,538)
Contributions receivable		**(167,743)**		(595,155)
Single family homes		**(1,107,193)**		402,895
Other assets		**(116,781)**		900
(Decrease) increase in liabilities				
Account payable and accrued expenses		**54,460**		(140,804)
Other liabilities		**(347,858)**		61,717
Net cash (used in) provided by operating activities		**(1,031,507)**		1,114,749
Cash flows from investing activities				
Purchase of property and equipment		**(16,542)**		(61,297)
Purchase of investment in joint venture		**(4,191,733)**		-
Net cash used in investing activities		**(4,208,275)**		(61,297)
Cash flows from financing activities				
Proceeds from note payable HFHI NMTC Sub-CDE III, LLC		**6,022,743**		-
Payments for deferred financing costs		**(636,404)**		-
Net cash provided by financing activities		**5,386,339**		-
Net increase in cash and cash equivalents		**146,557**		1,053,452
Cash and cash equivalents, beginning of year		**6,144,864**		5,091,412
Cash and cash equivalents, end of year	**$**	**6,291,421**	$	6,144,864

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

Habitat for Humanity of Broward, Inc. (the Organization) was incorporated in June of 1983 and is an affiliate of Habitat for Humanity International, Inc., (HFHI). HFHI and its affiliates (collectively, Habitat) are tax-exempt, not-for-profit ecumenical ministries whose mission is to provide low-income families with decent, affordable housing.

In fulfilling its mission, the Organization builds single family homes in Broward County, Florida, sells them to low-income families (homeowners) and holds non-interest bearing mortgage receivables with payments commensurate with the family's ability to pay. The Organization also provides prospective homeowners in its program with counseling and training to prepare them for home ownership and its responsibilities. Homeowners are required to pledge a minimum of four hundred hours of service to the building of their home or the homes of other Habitat homeowners.

The Organization receives support from the local community by enlisting volunteer labor when practical and soliciting donations of land, building materials, and cash necessary in its building efforts. These donations and the cash from the collection of mortgages receivable are used to continue building houses for those in need.

The Organization operates a resale store (ReStore) as a supporting service to raise funds. The resale store primarily sells construction related materials and household furnishings and receives a majority of its merchandise from donations.

Financial Statement Presentation

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 (GAAP). Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions as follows:

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. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time. In addition, net assets whose donor restrictions are met in the same reporting period are also considered to be net assets without donor restrictions.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor 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. As of June 30, 2019 and 2018, the Organization had $1,888,740 and $1,520,651, respectively, in net assets with donor restrictions.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly and the ASU has been applied retrospectively to all periods presented.

1. Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

All highly liquid cash investments with original maturities of three months or less are considered to be cash equivalents.

Restricted Cash

Restricted cash represents deposits made by future homeowners for the purchase of homes and escrow payments made by current homeowners for property taxes and insurance.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents (deposit and money market accounts) and mortgages. The Organization maintains cash and cash equivalents in what it believes to be high quality financial institutions, which it believes limits its risk. As of June 30, 2019 and 2018, the Organization had approximately $5,700,000 and $5,950,000, respectively, of balances in excess of insurance limits covered by the Federal Deposit Insurance Corporation (FDIC). Mortgages receivable are secured by real property.

Property and Equipment

Property and equipment are capitalized when the cost is in excess of $500 and with a useful life over one year. Property and equipment are recorded at cost or, if donated, at fair value at the date of donation. Major renewals and improvements are capitalized, while repairs and maintenance expenditures are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts and any resulting gains or losses are recognized. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease.

The estimated useful lives of each asset group are as follows:

Asset Group	Years
Buildings	50
Leasehold improvements	10
Office furniture and equipment	3
Computer equipment and software	3
Automobiles	5

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2019 and 2018 amounted to $141,239 and $124,016, respectively, and is included in the accompanying statements of functional expenses.

Grants from Government Agencies

Grants from governmental agencies are recognized as revenue when the grant funds have been expended in accordance with the provisions of the respective agreements.

1. Summary of Significant Accounting Policies (cont.)

Single Family Homes Under Construction

Vacant land and construction in progress are stated at cost and include direct and indirect costs of housing construction, property taxes, and overhead incurred during the development period. Donated land and construction materials are required to be recorded at fair value at the time received. Land and offsite development costs associated with homes under construction are also included in construction in progress. Vacant land and construction in progress are evaluated for impairment if impairment indicators are present. GAAP requires vacant land and construction in progress to be recorded at the lower of its carrying amount or fair value. Since the purpose and mission of the Organization is to build affordable housing for low-income families, the Organization does not generally write down the value of construction in progress to estimated sales value, because any excess cost over sales value is a component of program services.

Investment in Joint Venture

The Organization recorded its investment in HFHI NMTC Leverage Lender 2018-1, LLC on the cost basis method since the Organization does not have significant influence over the joint venture as the operating agreement executed by the investors restricts individual investors' rights as members (see Note 11). Accordingly, the investment is recorded at transaction cost and distributions received from the investment are reported as revenue on the statement of activities.

Home Sales

Homes are sold to qualified buyers and the mortgage terms are based on the amount the purchaser is able to pay. Consideration received is mortgages receivable which are non-interest bearing. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at 7.66% and 7.57% for the years ended June 30, 2019 and 2018, respectively, based upon prevailing market rates for low-income housing at inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages with rates ranging from 7.39% to 9.00% and is recorded as interest income in the accompanying statements of activities and changes in net assets. During the years ended June 30, 2019 and 2018, 22 homes and 20 homes, respectively, were sold.

Mortgages Receivable

The Organization's mortgages consist of amounts due from homeowners. The Organization performs extensive credit and work history evaluations before the sale of a home. The Organization also has a perfected security interest in all homes they sell. Mortgage receivable balances are stated net of discount and if applicable, net of an allowance for uncollectible amounts based on management's judgment and analysis of the credit-worthiness of the homeowners, past payment experience, and other relevant factors. At June 30, 2019 and 2018, management determined that no allowance for mortgage receivables was necessary.

Contributions and Contributions Receivable

Contributions received with no restrictions or specified uses identified by the donor are included in net assets without donor restriction revenue in the statements of activities and changes in net assets when received. Contributions received with donor stipulations that limit the use of donated assets are reported as net assets with donor restriction revenue in the statements of activities and changes in net assets when received.

1. Summary of Significant Accounting Policies (cont.)

Contributions and Contributions Receivable (cont.)

When donor restrictions expire or are fulfilled by actions of the Organization, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as revenue without donor restrictions in the accompanying statements of activities and changes in net assets.

Contributions receivable that are expected to be collected in future years are recorded at their fair value based on the present value of their estimated future cash flows and are discounted at the rate applicable to the year in which the contribution was made. The discount rates used reflect the assumptions about market risks that are not otherwise considered in the cash flows.

Sales - ReStore

Revenue related to the ReStore sales are recognized at the time of the sale. The value for the purchased inventory of the ReStore is included in other assets within the statement of financial position. Habitat ReStore inventory includes donated and purchased household building materials, appliances, and furniture that are sold at the Habitat ReStore. Donated merchandise is recorded at fair market value where objectively measurable. Purchased merchandise is recorded at lower of cost or market, with cost being determined by the first-in, first-out method. At June 30, 2019, the Organization had $16,532 of purchased inventory and is included within prepaids and other assets in the accompanying statement of financial position.

Development and Public Relations Activities

The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 “Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Included Fund Raising”. FASB ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions.

Directly identifiable development and public relations activities expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis. Salaries and other expenses, which are associated with a specific program, are charged directly to that program. Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on the time spent.

1. Summary of Significant Accounting Policies (cont.)

Donated Goods and Services

Donated services (in-kind donations) are recognized as contributions in accordance with FASB ASC No. 958, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of unpaid volunteers have made contributions of their time by providing construction, administrative and fund-raising services to the Organization, the value of these amounts are not recorded because they don’t require special skills. Donations of construction materials are received and used in the construction of homes. GAAP require contributions (including donated materials) to be recorded at fair value at the date of receipt. During the year ended June 30, 2019, the Organization recognized in-kind donations for advertising, rent, construction materials, and land of approximately $8,000, $53,000, $54,000, and $480,000 respectively. During the year ended June 30, 2018, the Organization recognized in-kind donations for advertising, rent, and construction materials of approximately $12,000, $53,000, and $149,000, respectively.

Land Lease

The Organization entered into a 99-year land lease agreement during December 2015 to maintain the common area land of the Hallandale Beach Townhome community consisting of approximately 16 homes. The Organization is responsible for all operating expenses on the common area land. During the year ended, June 30, 2019, the Organization recognized approximately $12,500 of land lease income and $11,800 of land lease expenses. During the year ended, June 30, 2018, the Organization recognized approximately $12,600 of land lease income and $17,300 of land lease expenses. These amounts are included in rent income and program expenses, respectively in the accompanying statements of activities and changes in net assets.

Income Taxes

The Organization received a determination (via Habitat for Humanity International Inc.) from the Internal Revenue Service indicating that it is exempt from Federal income tax on all income except unrelated business income under Internal Revenue Code Section 501(c) (3); accordingly, no provision for income taxes has been recorded in the accompanying financial statements. For the years ended June 30, 2019 and 2018, the Organization had no unrelated business income tax resulting from unrelated business income.

The Organization accounts for uncertainty in income taxes in accordance with GAAP, which requires recognition in the accompanying financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization had no material unrecognized tax benefits and no adjustments to its financial position, activities or cash flows were required.

The Organization did not record any interest or penalties on uncertain tax positions in the statements of financial position as of June 30, 2019 and 2018 or the statements of activities and changes in net assets for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

2. Mortgages Receivable, net

A home is considered sold when a formal closing transaction has been finalized. At that time, a first non-interest bearing mortgage is given to the homeowner based on the amount the homeowner is able to pay. The Organization records the revenue for the sale at the amount equal to the first mortgage net of imputed interest. If the fair value of the property is greater than the first mortgage, the Organization obtains a second mortgage for the difference of the sales price and the fair value. The second mortgage is to protect the value of the collateral and is not recorded in the books and records of the Organization. At the time the first mortgage is paid in full, the Organization cancels the second mortgage. As of June 30, 2019, the estimated annual repayment amounts on these mortgage receivable balances along with the unamortized discount were as follows:

For the year ending June 30,		Amount
2020	$	1,165,596
2021		1,141,794
2022		1,118,221
2023		1,069,185
2024		1,033,109
Thereafter		16,442,753
		21,970,658
Less unamortized discount		(11,596,016)
Mortgage receivable, net	$	10,374,642

3. Property and Equipment, net

Property and equipment, net at June 30, 2019 and 2018 consist of the following:

		2019		2018
Land, building, and improvements	**$**	**2,571,212**	$	2,556,070
Vehicles		**145,665**		145,665
Construction equipment		**46,621**		46,621
Computer equipment and software		**33,675**		32,275
Office furniture and equipment		**22,624**		22,624
		2,819,797		2,803,255
Less: accumulated depreciation		**(1,155,117)**		(1,046,110)
Property and equipment, net	**$**	**1,664,680**	$	1,757,145

Depreciation expense was $109,007 and $90,592 for the years ended June 30, 2019 and 2018, respectively.

4. Single Family Homes Under Construction

Single family homes under construction at June 30, 2019 and 2018 consist of the following:

	2019	2018
Construction in progress	$ 5,508,459	$ 5,043,703
Land	1,605,979	429,392
Total	$ 7,114,438	$ 5,473,095

Potential homeowners must meet certain requirements before they can close on a home. If the home is completed before these requirements are met, then the family is allowed to rent the home while working to meet the requirements. Rent income from unsold homes for the years ended June 30, 2019 and 2018 was approximately $4,200 and $5,800, respectively, and is included within rent income in the accompanying statements of activities and changes in net assets. Before closing on a home, potential homeowners must prepay a certain amount of closing costs. At June 30, 2019 and 2018 these prepayments were approximately $55,000 and $49,000, respectively, and are included within other liabilities in the accompanying statements of financial position.

5. Contributions and Grants

Contributions and grants, which are included in the statement of activities and changes in net assets, for the year ended June 30, 2019 consist of the following:

	Without Donor Restriction	With Donor Restriction	Total
Contributions			
Faith community	$ 81,815	$ -	$ 81,815
Commerce and industry	872,596	652,946	1,525,542
Foundations and other charitable organizations	276,275	585,780	862,055
Individuals	683,999	101,584	785,583
Total contributions	1,914,685	1,340,310	3,254,995
Grants			
Commerce and industry	70,000	-	70,000
Foundations and other charitable organizations	92,000	250,000	342,000
Total grants	162,000	250,000	412,000
Total contributions and grants	$ 2,076,685	$ 1,590,310	$ 3,666,995

5. Contributions and Grants (cont.)

Contributions and grants, which are included in the statement of activities and changes in net assets, for the year ended June 30, 2018 consist of the following:

	Without Donor Restriction	With Donor Restriction	Total
Contributions			
Faith community	$ -	$ 20,000	$ 20,000
Commerce and industry	618,935	444,000	1,062,935
Foundations and other charitable organizations	345,565	110,000	455,565
Individuals	419,882	181,000	600,882
Total contributions	1,384,382	755,000	2,139,382
Grants			
Commerce and industry	17,500	-	17,500
Foundations and other charitable organizations	327,500	715,000	1,042,500
Total grants	345,000	715,000	1,060,000
Total contributions and grants	$ 1,729,382	$ 1,470,000	$ 3,199,382

6. Contributions Receivable, net

Contributions receivable, net consists of the following as of June 30, 2019 and 2018:

	2019	2018
Due in less than one year	**$ 634,235**	$ 548,545
Due in one to three years	**470,000**	392,540
Less: allowance for doubtful accounts	**(9,140)**	-
Less: unamortized discount on pledges	**(22,557)**	(27,143)
Contributions receivable, net	**$ 1,072,538**	$ 913,942

7. Employee Benefit Plans

The Organization sponsors a defined contribution retirement plan (the Plan) covering substantially all of its full-time employees. Employees become eligible for Plan participation after completing six months of service. The Organization contributes 3% of eligible employees' gross compensation to the Plan. All contributions made on behalf of employees become fully vested upon completing six months of service. For the years ended June 30, 2019 and 2018, the Organization contributed $39,872 and $34,893, respectively, to the Plan.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of funds restricted for the construction of specific homes or that are time restricted to future periods and are included in cash and cash equivalents and contributions receivable on the statements of financial position as of June 30, 2019 and 2018.

Net assets with donor restrictions are available with the following restrictions as of June 30, 2019 and 2018:

		2019		2018
Home sponsorships received – purpose and time restriction	**$**	**375,000**	$	752,651
Contributions receivable, net – time restriction		**90,000**		330,000
Other contributions received – purpose restrictions		**1,344,028**		37,000
Rick Case infrastructure sponsorships – purpose and time restrictions		**79,712**		401,000
Total net assets with donor restrictions	**$**	**1,888,740**	$	1,520,651

9. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	**$**	**4,908,485**
Current portion of mortgages receivable, net		**1,165,596**
Current portion of contributions receivable, net		**566,734**
Prepaids and other current assets		**148,581**
Total	**$**	**6,789,396**

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

10. Transactions with Affiliated Organization

During the years ended June 30, 2019 and 2018 the Organization contributed $55,550 and $72,037, respectively, to HFHI. These contributions are included within tithe affiliate dues and tithing within the accompanying statements of functional expenses. These funds are used to construct homes in economically depressed areas around the world. At June 30, 2019, $25,788 was included in accounts payable as due to Habitat affiliates. There was no amount due to Habitat affiliates at June 30, 2018.

11. New Market Tax Credits and Associated Joint Venture

On August 22, 2018, the Organization closed on a transaction to participate in a New Market Tax Credit (NMTC) program. The program provides funds to eligible organizations for investment in "qualified low-income community investment". Habitat invested, along with other similar Habitat affiliates, in a joint venture (HFHI NMTC Leverage Lender 2018-1, LLC) with a 27.75% ownership to take advantage of the NMTC financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new market tax credits to be applied against their federal tax liability. As a result, the Organization invested $4,191,733 and was able to secure a 30-year loan in the amount of $6,022,743 payable to a community development entity (an affiliate of the joint venture). The net proceeds less fees are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The note accrues interest only for 7 years at a rate of .6941%, on a semi-annual basis commencing on November 5, 2018. Commencing on August 23, 2025, the principal balance of the loan is reduced by a 23-year amortization at the same rate of .6941%. The loan matures on August 22, 2048. The note has a put option feature that is exercisable after August 22, 2025. This put option is expected to be exercised and this exercise of the put option will effectively allow Habitat to extinguish its outstanding debt.

Program compliance requirements include creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period. A portion of the Leverage Lender proceeds are used to pre-fund the joint expenses account. The joint expenses will be used during the seven-year compliance period to pay for the expenses of the affiliates and the CDE associated with the reporting obligations required in this transaction. These expenses are administered by the CDE and any unused amounts will be returned to the affiliates at the end of the compliance period.

12. Note Payable – HFHI NMTC Sub-CDE III, LLC, net

Note payable due to HFHI NMTC Sub-CDE III, LLC is a result of the New Market Tax Credit financing (see Note 11). The note is a 30-year loan in the amount of $6,022,743. The Organization had unamortized debt issuance costs of $591,074 as of June 30, 2019. Such amount is netted against the amount outstanding on the note payable as presented on the statement of financial position. Amortization of direct issuance costs are recorded as interest expense. The note accrues interest at a rate of .6941%, on an annual basis commencing on August 22, 2018. Pursuant to the agreement, the Organization is required to comply with the NMTC requirements as generally set forth in the Internal Revenue Code (IRC) Section 45D, including that the Organization maintain a separate business activity such that the separate business activity will qualify as a qualified active low-income community business as defined in IRC Section 45D. The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds.

In accordance with the agreement, the Organization is required to maintain a separate affiliate expense reserve, which is used to fund guaranteed obligations and the servicing fee to Habitat for Humanity International. The initial required funding under the agreement as it relates to the Organization was $636,404.

13. Mortgage Servicing Agreement

On June 1, 2019, the Organization transferred its mortgage servicing activities to Affiliate Mortgage Services, a third-party mortgage service provider. This agreement allows Affiliate Mortgage Services to collect all payments due under the terms of the mortgage loans and keep a complete, accurate and separate accounting of all sums collected by it from mortgagors. The agreement also provides that Affiliate Mortgage Services will act as the escrow agent for Homeowners who have obtained mortgages through the purchase of a home from Habitat.

13. Mortgage Servicing Agreement (cont.)

The agreement states that Affiliate Mortgage Services will initially fund the loan and prepare all loan origination documents. After closing, the loan proceeds are temporarily transferred to the Organization and remitted back once the mortgage loan is established. As of June 30, 2019 and 2018, the Organization has no liability in accounts payable and accrued expenses to be transferred to Affiliate Mortgage Services.

14. Subsequent Events

The Organization has evaluated all subsequent events through October 29, 2019, which is the date these financial statements were available to be issued.