

**Financial Statements**

**of**

**Habitat for Humanity  
Peninsula and Greater Williamsburg**

**June 30, 2018 and 2017**

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**Certified Public Accountants & Financial Consultants**  
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# Habitat for Humanity Peninsula and Greater Williamsburg

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June 30, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Habitat for Humanity Peninsula and Greater Williamsburg  
Newport News, Virginia

We have audited the accompanying financial statements of Habitat for Humanity Peninsula and Greater Williamsburg, which comprise the statements of financial position as of June 30, 2018 and June 30, 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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**

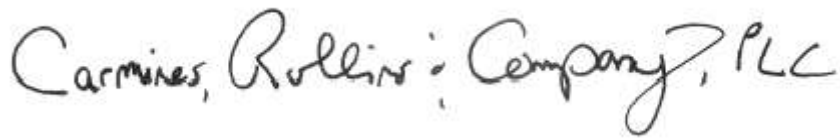
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Peninsula and Greater Williamsburg as of June 30, 2018 and June 30, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Correction of Error**

As explained in Note 15, during the current year management discovered an error in which a lot that was sold in 2016, as part of a house closing, was not expensed, resulting in an overstatement of amounts previously reported for land assets and understating expenses in 2016. Accordingly, the 2017 financial statements have been restated to correct this misstatement of the land asset, and an adjustment has been made to the 2017 net assets. Our opinion is not modified with respect to this matter.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of ReStore income and expenses for the years ended June 30, 2018 and June 30, 2017 on page 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Carmines, Robbins & Company, PLC". The signature is written in a cursive, flowing style.

Carmines, Robbins and Company, PLC  
Certified Public Accountants and Business Consultants  
September 28, 2018

**Habitat for Humanity Peninsula and Greater Williamsburg**  
**Statements of Financial Position**  
**As of June 30, 2018 and 2017**

**Assets**

	<u><b>2018</b></u>	<u><b>2017</b></u> <b>RESTATED</b>
Cash and Cash Equivalents	\$ 1,694,782	\$ 1,915,313
Restricted Cash - Mortgage Escrows	99,122	53,694
Accounts and Contributions Receivable	198,416	106,460
Employee Loans and Other Receivables	1,725	1,725
Mortgage Notes Receivable - net	2,798,287	2,670,908
Construction in Progress	1,066,103	411,814
Homes Obtained from Foreclosure	0	174,426
Land Held for Construction	726,323	656,572
ReStore Donated Inventory	203,525	163,432
ReStore Purchased Inventory	45,126	20,255
Property and Equipment - net	265,438	173,061
Prepaid Expenses	<u>45,947</u>	<u>38,304</u>
<b>Total Assets</b>	<b>\$ <u>7,144,794</u></b>	<b>\$ <u>6,385,964</u></b>

**Liabilities**

	<u><b>2018</b></u>	<u><b>2017</b></u> <b>RESTATED</b>
Accounts Payable	\$ 80,507	\$ 76,746
Accrued Expenses	324,562	230,594
Mortgage Escrow Deposits	<u>99,122</u>	<u>53,694</u>
<b>Total Liabilities</b>	<b><u>504,191</u></b>	<b><u>361,034</u></b>

**Net Assets**

<b>Unrestricted</b>		
Invested in Property and Equipment	265,438	173,061
Available for Operations	<u>6,170,449</u>	<u>5,791,416</u>
<b>Total Unrestricted</b>	<b>6,435,887</b>	<b>5,964,477</b>
<b>Temporarily Restricted</b>	<u>204,716</u>	<u>60,453</u>
<b>Total Net Assets</b>	<b><u>6,640,603</u></b>	<b><u>6,024,930</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>7,144,794</u></b>	<b>\$ <u>6,385,964</u></b>

See the Accompanying Notes and Independent Auditor's Report.

**Habitat for Humanity Peninsula and Greater Williamsburg**  
**Statements of Activities**  
**For The Years Ended June 30, 2018 and 2017**

	2018			2017 RESTATED		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenues:</b>						
<u>Cash Contributions</u>						
Individuals	\$ 240,814	\$ 1,295	\$ 242,109	\$ 126,677	\$ 0	\$ 126,677
Businesses	105,075	133,198	238,273	160,330	0	160,330
Faith Groups	39,875	45,223	85,098	10,151	30,430	40,581
Civic Organizations, Colleges, Agencies	27,525	0	27,525	70,888	0	70,888
Golf Tournament Fundraising Event	62,266	0	62,266	50,794	0	50,794
Other Fundraising Event	0	0	0	3,956	0	3,956
Raise the Roof Fundraising Event	177,343	0	177,343	160,394	0	160,394
<u>Stock Donations</u>						
Individuals	33,617	0	33,617	17,648	0	17,648
Raise the Roof Fundraising Event	3,500	0	3,500	0	0	0
<u>In-Kind Contributions</u>						
Land, House and Fixed Assets	246,000	0	246,000	132,600	0	132,600
Materials and Construction Labor	427,962	0	427,962	17,573	0	17,573
Services and Rentals	41,295	0	41,295	50,790	0	50,790
<b>Total Contributions</b>	1,405,272	179,716	1,584,988	801,801	30,430	832,231
Grants	637,559	25,000	662,559	234,138	20,000	254,138
Sales of Homes	873,860	0	873,860	552,133	0	552,133
Mortgage Discount Amortization	201,705	0	201,705	196,253	0	196,253
<b>Total Support</b>	3,118,396	204,716	3,323,112	1,784,325	50,430	1,834,755
Investment Income	7,019	0	7,019	6,574	0	6,574
Gain/(Loss) on Sale of Donated Stock	209	0	209	(169)	0	(169)
Loss on Disposal of Fixed Assets	(2,035)	0	(2,035)	0	0	0
Income from 2nd Mortgages	20,629	0	20,629	0	0	0
Miscellaneous Income	1,850	0	1,850	1,742	0	1,742
Net ReStore Income/(Loss)	337,532	0	337,532	606,146	0	606,146
Satisfaction of Program Restrictions	60,453	(60,453)	0	69,562	(69,562)	0
<b>Total Support and Revenues</b>	3,544,053	144,263	3,688,316	2,468,180	(19,132)	2,449,048
<b>Expenses:</b>						
Home Ownership Program	2,691,506	0	2,691,506	1,909,580	0	1,909,580
Management and General	150,986	0	150,986	125,777	0	125,777
Fund Raising	230,151	0	230,151	201,983	0	201,983
<b>Total Functional Expenses</b>	3,072,643	0	3,072,643	2,237,340	0	2,237,340
<b>Increase/(Decrease) in Net Assets</b>	471,410	144,263	615,673	230,840	(19,132)	211,708
<b>Net Assets - Beginning of Year</b>	5,964,477	60,453	6,024,930	5,783,312	79,585	5,862,897
<b>Prior Period Adjustment</b>	0	0	0	(49,675)	0	(49,675)
<b>Net Assets - End of Year</b>	\$ 6,435,887	\$ 204,716	\$ 6,640,603	\$ 5,964,477	\$ 60,453	\$ 6,024,930

See the Accompanying Notes and Independent Auditor's Report.

**Habitat for Humanity Peninsula and Greater Williamsburg**  
**Statements of Functional Expenses**  
**For The Years Ended June 30, 2018 and 2017**

	2018				2017			
	Program	Support Services			Program	Support Services		
	Home Ownership	Management and General	Fund Raising	Total	Home Ownership	Management and General	Fund Raising	Total
Construction Costs	\$ 900,866	\$ 0	\$ 0	\$ 900,866	\$ 582,220	\$ 0	\$ 0	\$ 582,220
Land	389,634	0	0	389,634	199,758	0	0	199,758
Mortgage Discount Expense	452,922	0	0	452,922	290,528	0	0	290,528
"A Brush with Kindness" Supplies	27,209	0	0	27,209	30,981	0	0	30,981
Salaries and Wages	635,969	55,858	113,120	804,947	552,895	48,044	97,287	698,226
Payroll Taxes	35,270	9,069	6,046	50,385	31,140	8,008	5,338	44,486
Employee Benefits	35,902	9,232	6,155	51,289	31,046	7,983	5,322	44,351
Fund Raising	0	0	89,211	89,211	0	0	79,647	79,647
Conferences and Meetings	6,014	1,547	1,031	8,592	9,807	2,522	1,681	14,010
Depreciation	12,832	3,422	855	17,109	7,045	1,878	470	9,393
Insurance	43,978	12,477	0	56,455	34,821	9,495	0	44,316
Professional Fees	0	19,920	0	19,920	0	18,161	0	18,161
Occupancy	27,866	6,817	6,817	41,500	27,739	6,774	6,774	41,287
Office Expense	19,304	19,539	1,663	40,506	11,366	13,283	1,449	26,098
Public Relations	0.00	0.00	4,422	4,422	0	0	3,099	3,099
Telephone	7,060	1,247	831	9,138	7,602	1,375	916	9,893
Transportation and Mileage	33,680	11,858	0	45,538	29,632	8,254	0	37,886
Tithe and Fees to Habitat International	63,000	0	0	63,000	63,000	0	0	63,000
	<u>\$ 2,691,506</u>	<u>\$ 150,986</u>	<u>\$ 230,151</u>	<u>\$ 3,072,643</u>	<u>\$ 1,909,580</u>	<u>\$ 125,777</u>	<u>\$ 201,983</u>	<u>\$ 2,237,340</u>

See the Accompanying Notes and Independent Auditor's Report.

**Habitat for Humanity Peninsula and Greater Williamsburg**  
**Statements of Cash Flows**  
**For The Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 615,673	\$ 211,708
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operations:</i>		
Depreciation	34,077	34,550
Loss on Disposal of Fixed Assets	2,035	0
Principal Payments on Mortgage Notes Receivable	435,564	366,071
Investment in Mortgages Issued	(814,160)	(549,000)
Discount on Mortgages Issued	452,922	290,528
Mortgage Discount Amortization	(201,705)	(196,253)
Change in ReStore Donated Inventory	(40,093)	56,832
<i>Decrease (Increase) in Operating Assets:</i>		
Accounts and Contributions Receivable	(91,956)	83,894
Employee Loans and Other Receivables	0	(1,123)
Construction in Progress	(479,863)	(199,520)
Expenses Incurred on Foreclosed Home	0	0
ReStore Purchased Inventory	(24,871)	(5,975)
Land for Construction	(69,751)	(168,245)
Prepaid Expenses and Deposits	(7,643)	(534)
Accounts Payable and Accrued Expenses	97,729	45,510
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(92,042)</b>	<b>(31,557)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sale of Fixed Assets	0	0
Investment in Fixed Assets	(128,489)	(27,589)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(128,489)</b>	<b>(27,589)</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>(220,531)</b>	<b>(59,146)</b>
<b>Beginning Cash and Cash Equivalents</b>	<b>1,915,313</b>	<b>1,974,459</b>
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 1,694,782</b>	<b>\$ 1,915,313</b>
<b>Supplemental Disclosures:</b>		
Cash Paid During the Year for Interest	\$ 0	\$ 0

See the Accompanying Notes and Independent Auditor's Report.



**Habitat for Humanity Peninsula and Greater Williamsburg**  
**Notes to Financial Statements**  
**For The Years Ended June 30, 2018 and 2017**

**1. Organization**

Habitat for Humanity Peninsula and Greater Williamsburg (Habitat) was founded in October 1985, as a nonprofit, ecumenical housing ministry affiliated with Habitat for Humanity International, Inc., an organization with affiliates worldwide that seeks to eliminate poverty housing and to make decent shelter a matter of conscience and action. Through volunteer labor and donations of money, land, and materials, Habitat builds and sells to families with low-incomes. Additionally, Habitat buys bank foreclosed properties and refurbishes these houses. Habitat focuses its efforts in the Newport News, Hampton, Williamsburg, York County, James City County, Charles City and New Kent County areas of Virginia.

The houses built or refurbished by Habitat and its volunteers are sold to partner families at no profit, financed with affordable, no-interest loans. The homeowners' monthly mortgage payments go to fund more houses and the operations of Habitat. In addition to the monthly mortgage payments, each homeowner family invests hundreds of hours of their own labor into the building of their house as well as the houses of others. Since its inception, Habitat has built 180 homes.

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by Habitat are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting**

The financial statements of Habitat are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred. Revenues from the sale of houses are recognized at the transfer to the homeowner. Construction costs are capitalized and carried as an asset until the property is completed and sold.

**Basis of Presentation**

Habitat has adopted the provisions of the Financial Accounting Standards Board (FASB), pertaining to Financial Statements of Not-for-Profit Organizations and Accounting for Contributions Received and Contributions Made. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Habitat and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets 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 Habitat and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be permanently restricted. Habitat does not have any permanently restricted net assets at June 30, 2018.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations 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.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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 vary from those estimates.

**Contributions and Revenue Recognition**

Contributions are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional. That is when the conditions on which they depend are substantially met. All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Contributions of assets other than cash are recorded at their estimated fair value. See Note 11 for a discussion of ReStore inventory contributions.

**Habitat for Humanity Peninsula and Greater Williamsburg**  
**Notes to Financial Statements**  
**For The Years Ended June 30, 2018 and 2017**

**2. Summary of Significant Accounting Policies, continued**

**Contributions of Long-Lived Assets**

Contributions of land, building, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**Functional Expenses**

Expenses which benefit more than one function are allocated among functions based generally on the amount of time spent by employees on each function or the space devoted to each function. Habitat performs three functions; home ownership, fund raising, and management and general. Definitions of these functions are as follows:

Home ownership - Activities performed by Habitat which fulfill the mission to eliminate poverty housing.

Fundraising - Activities performed by Habitat to generate funds and/or resources to support its program and operations.

Management and general - All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities and to Habitat's existence. This includes expenses for overall direction of Habitat, business management, general record keeping, budgeting, financial reporting, and activities related to these functions such as salaries, rent, supplies, equipment, and other general overhead.

**Cash and Cash Equivalents**

For purposes of the financial statements, Habitat considers all liquid investments having initial maturities of three months or less to be cash equivalents. At June 30, 2018 and 2017, cash equivalents represented \$1,694,782 and \$1,915,313 respectively, invested in money market, short-term certificates of deposit and other cash funds.

**Land and Construction in Progress**

Land for construction and construction in progress are carried at cost when purchased or at market value when acquired by gift. No depreciation is charged against these assets as they are being held for resale.

**Fixed Assets**

Fixed assets are carried at cost or at market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally three to forty years.

**Income Taxes**

Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, has made no provision for federal or state income taxes in the accompanying financial statements for income derived from its exempt activities. In addition, Habitat is classified as a publicly supported charitable organization under Section 509(a)(1) of the Internal Revenue Code and qualifies for the maximum charitable contribution deduction for its donors. Also, Habitat had no unrelated business taxable income for 2018 and 2017, and therefore, neither year has any provision for federal or state income taxes from such activities.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Habitat's management has evaluated the impact of the guidance on its financial statements and determined there is no impact. Habitat's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed. Therefore, years ending June 30, 2015 through June 30, 2018 may be subject to examination.

Habitat's policy is to classify income tax-related interest and penalties, if any, in interest expense and other expenses, respectively.

**ReStore Inventory**

Donations to the ReStores, Habitat's home improvement stores and donation centers, are valued or carried as inventory at estimated fair value. Purchased inventory is carried at cost. Also see Note 11.

**Habitat for Humanity Peninsula and Greater Williamsburg**  
**Notes to Financial Statements**  
**For The Years Ended June 30, 2018 and 2017**

**3. Accounts and Contributions Receivable**

At June 30, 2018 and 2017, accounts and contributions receivable consisted of the following:

	<u>2018</u>		<u>2017</u>
Homeowner Repairs Receivable	\$ 4,496	\$	5,874
Miscellaneous Other Receivables	12,605		2,932
VHDA	51,315		28,995
United Way	25,000		20,000
CHDO Grants	<u>105,000</u>		<u>48,659</u>
	<u>\$ 198,416</u>	\$	<u>106,460</u>

**4. Construction in Progress**

Construction in progress represents costs incurred to date on fourteen single-family homes at June 30, 2018 and nineteen single-family homes at June 30, 2017. Upon completion of construction, these houses will be sold to their pre-selected owners.

**5. Mortgage Notes Receivable**

When Habitat sells a home, it accepts installment notes in return. The first is an interest-free monthly installment note deed of trust generally issued for a term of twenty to thirty five years with principal payments due monthly ranging from \$125 to \$812, due through 2048. Mortgage notes receivable as of June 30, 2018 are: Mortgage notes receivable at face value of \$6,573,396, less unamortized discount based on imputed interest rates ranging from 6% to 10% of \$3,775,109 for a net amount of \$2,798,287. Mortgage notes receivable as of June 30, 2017 are: Mortgage notes receivable at face value of \$6,194,382, less unamortized discount based on imputed interest rates ranging from 6% to 10% of \$3,523,474 for a net amount of \$2,670,908.

The second note is a second trust deed. It is interest-free and for a similar term of years as the first note. It is issued to ensure that the homeowner will not transfer, sell, or assign their title of interest in the property, or cease to occupy the property. The second note is forgiven over its term as long as the homeowner continues to occupy the house and makes payments on the first note. The second note and its resulting contingent gain are not recorded on either the Statement of Financial Position or the Statement of Activities. An estimate of the gain on the second trust deed cannot be made. For some homes, a third deed of trust is issued. Under Federal Home Loan Bank (FHLB) and Community Housing Development Organization (CHDO) grant programs, some homeowners receive the benefit of a \$5,000 to \$50,000 grant, which reduces the sale price of the house. If the homeowner ceases to occupy the house during the first five years after closing, a portion of the grant must be refunded to the FHLB or CHDO. The deed of trust is interest-free and is forgiven at the same rate the refund of the grant is forgiven. This third note and the contingent liability for the refund of the grant are not recorded on either the Statement of Financial Position or the Statement of Activities. The possibility of any refund of the grants to FHLB or CHDO is remote.

Default on the notes is rare. When foreclosure is required, Habitat rarely incurs a loss due to the low mortgage balance compared to the market value of the home. Therefore, no provision for bad debt is deemed necessary.

**6. Fixed Assets**

A summary of fixed assets at June 30, 2018 and 2017 is as follows:

	<u>2018</u>		<u>2017</u>
Construction Equipment	\$ 53,615	\$	9,614
Vehicles	231,609		188,359
ReStore Equipment and Leasehold Improvements	201,888		184,311
Office Furnishings	24,826		24,826
Software and Computers	<u>43,370</u>		<u>43,370</u>
	555,308		450,480
Less - Accumulated Depreciation	<u>(289,870)</u>		<u>(277,419)</u>
	<u>\$ 265,438</u>	\$	<u>173,061</u>

**Habitat for Humanity Peninsula and Greater Williamsburg**  
**Notes to Financial Statements**  
**For The Years Ended June 30, 2018 and 2017**

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$204,716 and \$60,453 for years ended June 30, 2018 and 2017, respectively, consist of contributions with a time restriction or contributions designated by donors for specific future houses and contributions designated by donors in excess of direct construction expenditures on sponsored houses under construction at June 30, 2018 and 2017.

**8. Transactions with Habitat for Humanity International**

Habitat annually remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International, Inc. These funds are used exclusively to construct homes in economically depressed areas around the world. For years ended June 30, 2018 and 2017, Habitat contributed \$63,000 for both years.

**9. Retirement Plans**

Habitat has adopted a defined contribution retirement plan and contributes 3% of compensation to substantially all employees who have attained age 21 and completed one year of service.

Pension expense for the years ended June 30, 2018 and 2017 totaled \$44,534 and \$41,333, respectively.

**10. Subsequent Events**

Management of Habitat has evaluated all events and transactions for potential recognition or disclosure through September 28, 2018, the issue date of the financial statements, and has determined that there are no subsequent events that require disclosure.

**11. In-Kind Contributions**

Habitat receives significant donations of items sold at the ReStore. Accounting principles accepted in the United States of America state that donated inventory should be recorded as contributions and inventory in the period received, at fair value. The estimated value of donated ReStore inventory received for the year ended June 30, 2018 totaled \$2,736,255. The estimated value of donated ReStore inventory received for the year ended June 30, 2017 totaled \$2,458,503. When the sale occurs the donated item is removed from inventory and expensed as a cost of inventory sold.

Habitat regularly receives contributed services from a large number of volunteers who assist in home construction and by working with Habitat in a variety of other capacities. There is no discernible value that can be attributed to general volunteer labor. Licensed construction trade labor is recorded at the value of this labor to Habitat.

In-kind contributions of equipment, materials and other items used in construction are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of Habitat's activities. During the years ended June 30, 2018 and 2017, contributions of trade labor and materials and other items were recorded in the amount of \$372,965 and \$17,573, respectively.

Habitat often constructs its homes on land donated by local governments and private donors. The land is valued based on its real estate tax appraisal or other independent documentation of fair market value. During the year ended June 30, 2018 Habitat received land valued at \$246,000. During the year ended June 30, 2017 Habitat received land valued at \$132,600.

Legal, appraisal, certified audit services and other similar services of \$16,755 and \$13,750 for June 30, 2018 and June 30, 2017 respectively, were valued at going rates as part of homeownership and general and administrative expenses.

Habitat operates from donated office facilities with a fair market rental value of \$24,540 for both years ended June 30, 2018 and June 30, 2017. Warehouse facilities were also donated with fair market rentals of \$0 and \$12,500 for years ended June 30, 2018 and June 30, 2017, respectively.

**Habitat for Humanity Peninsula and Greater Williamsburg**  
**Notes to Financial Statements**  
**For The Years Ended June 30, 2018 and 2017**

**12. Land Purchase Commitments**

At June 30, 2018 Habitat had purchase contracts totaling \$129,000 for 6 lots in James City County, Williamsburg and Charles City. Deposits of \$0 were made, leaving a balance due of \$129,000. These lots are expected to be purchased during the year ended June 30, 2019.

At June 30, 2017 Habitat had no purchase commitments for land or lots.

**13. Lease Commitments**

The office facility is located in Newport News, Virginia, and is leased under an operating lease expiring December 2018.

A construction warehouse, located in Newport News, Virginia, was leased under an operating lease that expired January 2017.

The Newport News, Virginia ReStore opened in December of 2002 in leased retail space located on Warwick Boulevard. The store facility was leased under an operating lease that expired December 2017.

A new Newport News, Virginia ReStore located on Chatham Drive opened in October 2017, and the original location closed. The new location is leased under an operating lease until June 2020.

A second ReStore opened in April of 2012 in leased retail space located in Williamsburg, Virginia. The store facility is leased under an operating lease, expiring August 2020.

A drop-off center for the ReStores opened in York County, Virginia, in 2016, under an operating lease, originally through October 2019, but the lease was modified to expire June 30, 2018.

Habitat leases a Penske panel truck, under an operating lease expiring in June 2022.

Minimum lease commitments are as follows, for the year ended June, 30:

	2019	\$	302,194
	2020		295,472
	2021		40,392
	2022		17,376
	2023		0
	Thereafter		0
		<u>\$</u>	<u>655,434</u>

**14. Financial Instruments with Concentrations of Credit Risk**

Financial instruments that potentially subject Habitat to concentrations of credit risk consists primarily of cash equivalents and mortgage notes receivable. Habitat maintains cash accounts and short-term certificates of deposit with financial institutions that are in excess of federally insured limits. At June 30, 2018 this excess totaled \$929,940.

**15. Prior Period Adjustment**

During the year ended June 30, 2018 management discovered an error in which a lot that was sold in 2016, as part of a house closing, was not expensed, resulting in an overstatement of amounts previously reported for land assets and understating expenses in 2016. Accordingly, the 2017 financial statements have been restated to correct this misstatement of the land asset, and an adjustment has been made to the 2017 net assets. The amount of the lot not expensed totaled \$49,675.

**Habitat for Humanity Peninsula and Greater Williamsburg  
Schedules of ReStore Income and Expenses  
For The Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Revenue:</b>		
Sales	\$ 3,109,215	\$ 2,916,774
In-Kind Contributions - ReStore Inventory	2,736,255	2,458,503
Recycling Income	<u>15,508</u>	<u>9,565</u>
<b>Total Revenue</b>	5,860,978	5,384,842
Cost of Purchased and Donated Inventory Sold	<u>2,970,052</u>	<u>2,770,375</u>
<b>Gross Profit</b>	<u>2,890,926</u>	<u>2,614,467</u>
<b>Operating Expenses</b>		
Occupancy Cost	545,486	393,193
Truck Expenses	113,907	98,886
Insurance	94,330	64,849
Supplies and Operating Costs	164,914	158,486
Depreciation	16,968	25,157
Advertising and Marketing	74,598	53,531
Payroll Costs	<u>1,543,191</u>	<u>1,214,219</u>
<b>Total Operating Expenses</b>	<u>2,553,394</u>	<u>2,008,321</u>
<b>Net Income/(Loss) from ReStore</b>	<u>\$ 337,532</u>	<u>\$ 606,146</u>

See the Accompanying Notes and Independent Auditor's Report.