

Golden Crescent Habitat for Humanity, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2018 and 2017

Golden Crescent Habitat for Humanity, Inc.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of June 30, 2018 and 2017	2
Statement of Activities for the year ended June 30, 2018	3
Statement of Activities for the year ended June 30, 2017	4
Statement of Functional Expenses for the year ended June 30, 2018	5
Statement of Functional Expenses for the year ended June 30, 2017	6
Statements of Cash Flows for the years ended June 30, 2018 and 2017	7
Notes to Financial Statements for the years ended June 30, 2018 and 2017	8

Independent Auditors' Report

To the Board of Directors of
Golden Crescent Habitat for Humanity, Inc.:

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

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

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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 auditors' 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 Golden Crescent Habitat as of June 30, 2018 and 2017 and the changes in its net assets and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL

Golden Crescent Habitat for Humanity, Inc.Statements of Financial Position as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 241,438	\$ 72,403
Cash designated for operating reserve	60,400	60,400
Pledges receivable	151,232	100,000
Prepaid expenses and other assets	27,097	24,559
Homes available for sale		44,387
Home construction in progress	773,515	559,497
Lots and land held for development	106,614	106,614
Mortgage loans receivable, net <i>(Note 2)</i>	757,264	798,476
Property, net <i>(Note 3)</i>	<u>1,553,709</u>	<u>156,757</u>
TOTAL ASSETS	<u>\$ 3,671,269</u>	<u>\$ 1,923,093</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 113,301	\$ 28,991
Notes payable <i>(Note 4)</i>	<u>1,293,723</u>	<u>294,079</u>
Total liabilities	<u>1,407,024</u>	<u>323,070</u>
Net assets:		
Unrestricted:		
Board-designated for operating reserve	60,400	60,400
Undesignated	<u>1,819,117</u>	<u>1,385,863</u>
Total unrestricted	1,879,517	1,446,263
Temporarily restricted <i>(Note 5)</i>	<u>384,728</u>	<u>153,760</u>
Total net assets	<u>2,264,245</u>	<u>1,600,023</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,671,269</u>	<u>\$ 1,923,093</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statement of Activities for the year ended June 30, 2018

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND SUPPORT:			
Low-cost housing income:			
Home sales	\$ 152,791		\$ 152,791
Mortgage discount amortization	56,125		56,125
In-kind contributions of materials	44,143		44,143
Other fees	<u>10,873</u>		<u>10,873</u>
Total low-cost housing income	<u>263,932</u>		<u>263,932</u>
Contributions and other:			
Contributions	169,159	\$ 1,057,226	1,226,385
In-kind contributions of inventory	202,597		202,597
Special event	137,444		137,444
Direct donor benefit	(89,813)		(89,813)
Other income	<u>10,818</u>		<u>10,818</u>
Subtotal contributions and other	430,205	1,057,226	1,487,431
Satisfaction of donor restrictions:			
Expenditures for program restrictions	371,258	(371,258)	
Expenditures for property	<u>455,000</u>	<u>(455,000)</u>	
Total contributions and other	<u>1,256,463</u>	<u>230,968</u>	<u>1,487,431</u>
The ReStore revenues:			
The ReStore sales of inventory	270,181		270,181
The ReStore cost of goods sold	<u>(202,698)</u>		<u>(202,698)</u>
Total ReStore revenues, net	<u>67,483</u>		<u>67,483</u>
Total revenue, gains and support	<u>1,587,878</u>	<u>230,968</u>	<u>1,818,846</u>
EXPENSES:			
Low-cost housing program	759,310		759,310
The ReStore program	245,479		245,479
Management and general	200,130		200,130
Fundraising	<u>90,040</u>		<u>90,040</u>
Total expenses	<u>1,294,959</u>		<u>1,294,959</u>
CHANGES IN NET ASSETS BEFORE OTHER	292,919	230,968	523,887
OTHER CHANGES IN NET ASSETS:			
Gain on involuntary conversion	85,397		85,397
Gain on sale of property	<u>54,938</u>		<u>54,938</u>
CHANGES IN NET ASSETS	433,254	230,968	664,222
Net assets, beginning of year	<u>1,446,263</u>	<u>153,760</u>	<u>1,600,023</u>
Net assets, end of year	<u>\$ 1,879,517</u>	<u>\$ 384,728</u>	<u>\$ 2,264,245</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statement of Activities for the year ended June 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND SUPPORT:			
Low-cost housing income:			
Home sales	\$ 332,252		\$ 332,252
Mortgage discount amortization	71,534		71,534
In-kind contributions of materials	93,502		93,502
Other fees	<u>13,572</u>		<u>13,572</u>
Total low-cost housing income	<u>510,860</u>		<u>510,860</u>
Contributions and other:			
Contributions	144,528	\$ 355,500	500,028
In-kind contributions of inventory	212,819		212,819
Special event	108,546		108,546
Direct donor benefit	(21,966)		(21,966)
Other income	<u>6,706</u>		<u>6,706</u>
Subtotal contributions and other	450,633	355,500	806,133
Satisfaction of donor restrictions:			
Expenditures for program restrictions	300,980	(300,980)	
Expenditures for property	<u>3,080</u>	<u>(3,080)</u>	
Total contributions and other	<u>754,693</u>	<u>51,440</u>	<u>806,133</u>
The ReStore revenues:			
The ReStore sales of inventory	266,004		266,004
The ReStore cost of goods sold	<u>(212,819)</u>		<u>(212,819)</u>
Total ReStore revenues, net	<u>53,185</u>		<u>53,185</u>
Total revenue, gains and support	<u>1,318,738</u>	<u>51,440</u>	<u>1,370,178</u>
EXPENSES:			
Low-cost housing program	771,239		771,239
The ReStore program	209,359		209,359
Management and general	156,716		156,716
Fundraising	<u>117,200</u>		<u>117,200</u>
Total expenses	<u>1,254,514</u>		<u>1,254,514</u>
CHANGES IN NET ASSETS	64,224	51,440	115,664
Net assets, beginning of year	<u>1,382,039</u>	<u>102,320</u>	<u>1,484,359</u>
Net assets, end of year	<u>\$ 1,446,263</u>	<u>\$ 153,760</u>	<u>\$ 1,600,023</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statement of Functional Expenses for the year ended June 30, 2018

<u>EXPENSES</u>	<u>LOW-COST HOUSING PROGRAM</u>	<u>THE RESTORE PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related benefits	\$ 214,169	\$ 121,767	\$ 61,596	\$ 23,716	\$ 421,248
Disaster construction relief	192,886				192,886
Cost of homes sold	163,644				163,644
Interest expense			58,994		58,994
Property taxes and insurance	11,661	22,856	6,276	4,138	44,931
Contract services	11,679	2,280		29,710	43,669
Occupancy	16,726	20,349	4,370	1,630	43,075
Professional fees	12,240		29,942		42,182
Advertising and marketing		25,814	13,692	1,603	41,109
Depreciation	9,280	23,940	1,468	550	35,238
Discount on mortgages issued	32,156				32,156
Equipment and other rentals	23,039	3,068	1,833	359	28,299
Repairs and maintenance	14,103	9,593			23,696
Supplies	9,963	7,469	3,141	2,506	23,079
Postage, delivery and printing	2,638	54	899	14,225	17,816
Dues and subscriptions	10,567	2,510			13,077
Travel	9,762	2,717			12,479
Tithes to other non-profits	11,000				11,000
Bank fees		96	10,623		10,719
Home repair costs	6,903				6,903
Meals and entertainment	735	1,077	3,857	325	5,994
Software				5,000	5,000
Professional development	2,079	300			2,379
Public relations	1,135	467			1,602
Other	2,945	1,122	3,439	6,278	13,784
Total expenses	<u>\$ 759,310</u>	<u>\$ 245,479</u>	<u>\$ 200,130</u>	<u>\$ 90,040</u>	1,294,959
Direct donor benefit					89,813
The ReStore cost of goods sold					<u>202,698</u>
Total					<u>\$ 1,587,470</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statement of Functional Expenses for the year ended June 30, 2017

<u>EXPENSES</u>	LOW-COST HOUSING PROGRAM	THE RESTORE PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	<u>TOTAL</u>
Salaries and related benefits	\$ 174,364	\$ 129,780	\$ 60,259	\$ 24,013	\$ 388,416
Cost of homes sold	397,148				397,148
Interest expense			13,545		13,545
Property taxes and insurance	8,748	11,183	7,719	3,860	31,510
Contract services	2,148	424		31,209	33,781
Occupancy	16,549	13,301	4,325	1,613	35,788
Professional fees	12,780		23,264		36,044
Advertising and marketing		25,106	13,416	13,197	51,719
Depreciation	9,280	19,924	6,268	210	35,682
Discount on mortgages issued	80,098				80,098
Equipment and other rentals	5,539	1,316	2,333	815	10,003
Repairs and maintenance	5,446	1,706	767		7,919
Supplies	6,228	5,014	1,808	4,907	17,957
Postage, delivery and printing	1,719		419	16,467	18,605
Dues and subscriptions	9,950	346			10,296
Travel	13,681				13,681
Tithes to other non-profits	9,000				9,000
Bank fees			6,835		6,835
Home repair costs	3,483				3,483
Meals and entertainment		816	3,260	4,681	8,757
Software				8,828	8,828
Professional development	4,207				4,207
Public relations	6,316	351		1,193	7,860
Other	4,555	92	12,498	6,207	23,352
Total expenses	<u>\$ 771,239</u>	<u>\$ 209,359</u>	<u>\$ 156,716</u>	<u>\$ 117,200</u>	1,254,514
Direct donor benefit					21,966
The ReStore cost of goods sold					<u>212,819</u>
Total					<u>\$ 1,489,299</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statements of Cash Flows for years ended June 30, 2018 and 2019

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 664,222	\$ 115,664
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	35,238	35,682
Discount on mortgages issued	32,156	80,098
Mortgage discount amortization	(56,125)	(71,534)
Gain on sale of property	(54,939)	
Contributions restricted for property	(355,000)	(106,100)
Changes in operating assets and liabilities:		
Pledges receivable	(51,232)	48,200
Prepaid expenses and other assets	(2,538)	544
Home construction in progress	(214,018)	(109,559)
Lots and land held for development		32,420
Lots and homes available for sale	44,387	
Mortgage loans receivable	65,181	(27,537)
Accounts payable and accrued expenses	<u>84,310</u>	<u>(100,114)</u>
Net cash provided (used) by operating activities	<u>191,642</u>	<u>(102,236)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(523,199)	(9,791)
Proceeds from sale of property	<u>145,948</u>	<u> </u>
Net cash used by investing activities	<u>(377,251)</u>	<u>(9,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on notes payable	244,960	410,625
Payments on notes payable	(245,316)	(284,283)
Proceeds from contributions restricted for property	<u>355,000</u>	<u>6,100</u>
Net cash provided by financing activities	<u>354,644</u>	<u>132,442</u>
NET CHANGE IN CASH	169,035	20,415
Cash, beginning of year	<u>132,803</u>	<u>112,388</u>
Cash, end of year	<u>\$ 301,838</u>	<u>\$ 132,803</u>
<i>Summary of cash balances:</i>		
Cash	\$ 241,438	\$ 72,403
Cash designated for operating reserve	<u>60,400</u>	<u>60,400</u>
Total cash	<u>\$ 301,838</u>	<u>\$ 132,803</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$58,994	\$13,545
Property purchase financed with note payable	\$1,000,000	

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Notes to Financial Statements for the years ended June 30, 2018 and 2017

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Golden Crescent Habitat for Humanity, Inc. (Golden Crescent Habitat) is a non-denominational Christian not-for-profit organization incorporated in March 1994. The purpose of Golden Crescent Habitat is to partner with other charitable organizations in providing quality, low-cost homes to the economically disadvantaged people in Victoria, Goliad, Jackson, and Lavaca counties in Texas. Golden Crescent Habitat’s mission is accomplished primarily through grants and donations from the public to construct new homes and renovate existing donated homes. Golden Crescent Habitat is an affiliate of Habitat for Humanity International (HFHI) located in Americus, Georgia.

Golden Crescent Habitat also operates The ReStore, a building supply outlet that is open to the public. The ReStore accepts donations of new and used construction materials and home renovation products that are sold to the public at deeply discounted prices. Proceeds from the store are directed towards supporting the construction of new affordable housing for low-income families.

Federal income tax status – Golden Crescent Habitat is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows. All pledges receivable at June 30, 2018 are expected to be collected in 2018.

Homes available for sale and lots and land held for development are stated at lower of cost or fair value less costs to sell and include land under development, developed lots held for construction, and foreclosed and repossessed homes available for sale. Lots donated and held for development are initially recorded at fair value at date of gift. Homes acquired through loan repossession or foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date acquired.

Home construction in progress is stated at lower of cost or fair value and consists of labor, materials, property taxes, land costs and land development costs incurred during the development period, incurred on incomplete homes in progress and completed homes not yet conveyed to a recipient family. Cost is determined by the specific identification method. Construction in progress is expensed to cost of homes sold within the low-cost housing program when the home is transferred to the recipient family.

Mortgage loans receivable primarily consist of zero-interest equivalent mortgages, which are secured by improved real estate and are payable in monthly installments over 20 to 30-year periods. The mortgage loans receivable are discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgage. The discount is amortized using the effective interest method.

Golden Crescent Habitat’s allowance for loan losses is based on historical collection experience and a review of the status of the mortgage loans receivable. Golden Crescent Habitat considers the majority of the mortgage loans receivable to be fully collectible, or if not fully collectible, that the value of the homes collateralizing the loans exceeds the unpaid amount of the related receivable. Accordingly, no allowance for loan losses is included in Golden Crescent Habitat’s financial statements.

Asset impairment – Real estate assets are evaluated for impairment if impairment indications are present. An impairment write-down to fair value less costs to sell occurs when management believes that events

or changes in circumstances indicate that its carrying amount may not be recoverable. No impairment loss was recorded during the year.

Property with a value of more than \$1,000 is reported at cost if purchased and at fair value at date of gift if donated. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 39 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Home sales – Homes are sold to qualified buyers and zero-interest equivalent mortgages are provided to qualified persons as payment for the homes sold. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages. Qualified persons may receive down payment assistance from other agencies to reduce their loan amount. Generally, all of the homes have a fair market value at the date of sale that exceeds the contract sales price. In consideration for receiving a bargain purchase price and receiving a non-interest bearing mortgage, the purchasers are restricted in their ability to mortgage or sell the home. Golden Crescent Habitat generally has the option to repurchase the home or receive a portion of the realized gain from the sale of the home during a portion of the mortgage period. During the years ended June 30, 2018 and 2017, 2 and 4 homes were sold by Golden Crescent Habitat, respectively. Golden Crescent Habitat recognizes revenue from home sales when a closing occurs.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Non-cash contributions – Donated materials and use of facilities are recognized at estimated fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2018 and 2017, there was \$12,240 and \$12,780 in donated mortgage services recorded, respectively. Volunteers provide more than 3,200 hours a year to assist Golden Crescent Habitat in providing home construction services for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under the generally accepted accounting principles.

Special event revenue is recognized when the event occurs. Amounts received in advance of the event represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. Direct donor benefits represent the cost of goods and services provided to attendees of special events.

The ReStore revenues are recognized at the point of sale.

Advertising costs are expensed as incurred.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Auditing Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions*. New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. Golden Crescent Habitat will adopt this ASU for fiscal year 2019. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance for exchange transactions not specifically covered by other guidance. This ASU does not apply to non-exchange transactions such as contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied and revenue is recognized. Golden Crescent Habitat is required to adopt this ASU for fiscal year 2020 using an appropriate retrospective method. Management expects additional disclosures as a result of adoption.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. Golden Crescent Habitat is required to adopt this ASU in fiscal year 2020. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management anticipates the adoption may impact the classification of certain transactions and may result in additional disclosures.

ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires that financial assets measured at amortized cost basis be presented in the statement of financial position at the net amount expected to be collected and that the statement of activities reflect the measurement of credit losses for newly recognized financial assets, as well as increases or decreases of expected credit losses that have taken place during the period. Currently, generally accepted accounting principles require an “incurred loss” methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. Golden Crescent Habitat will be required to adopt this new standard for its fiscal year ending June 30, 2022. Management is evaluating this new standard and expects that it may impact valuation of its mortgage loans receivable and related financial statement disclosures.

NOTE 2 – MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable consists of the following:

	<u>2018</u>	<u>2017</u>
Mortgage loans receivable, at par value	\$ 1,508,473	\$ 1,573,654
Less: Unamortized discount based on imputed interest at rates ranging from 7.47% to 9.00%	<u>(751,209)</u>	<u>(775,178)</u>
Mortgage loans receivable, net	<u>\$ 757,264</u>	<u>\$ 798,476</u>

A mortgage loans receivable is considered delinquent if the scheduled installment payment remains unpaid 30 days after its due date. Delinquent principal amounts of the mortgage loans receivable at June 30, 2018 were approximately \$52,000.

The annual collection of mortgage loans receivable at June 30, 2018 is as follows:

2019	\$ 98,623
2020	93,225
2021	84,726
2022	73,534
2023	69,551
Thereafter	<u>1,088,814</u>
Total	<u>\$ 1,508,473</u>

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 247,700	\$ 36,321
Building and building improvements	1,260,402	114,690
Vehicles	113,186	113,186
Furniture and office equipment	69,031	69,031
Leasehold improvements	<u>31,900</u>	<u>48,717</u>
Total property, at cost	1,722,219	381,945
Accumulated depreciation	<u>(168,510)</u>	<u>(225,188)</u>
Property, net	<u>\$ 1,553,709</u>	<u>\$ 156,757</u>

NOTE 4 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2018</u>	<u>2017</u>
Bank note payable for the purchase of building executed In August 2017. Interest only payments are required through September 2020; thereafter principal and interest are due through September 2040. Interest at prime plus 1%, adjusted annually with a minimum rate of 4.5% (5.75% at June 30, 2018) secured by building and land.	\$ 996,125	
\$175,000 Flexible Capital Access Program loan from HFHI executed in April 2018. The term is 10 years at 5% interest. Interest only payments are required thereafter through June 30, 2018; interest and principal payments are due monthly. The loan is secured by mortgage receivables. The par value of the loans securing the debt is \$574,041.	175,000	
\$120,000 revolving line of credit available with a bank, matures in September 2019, interest rate at prime plus 1% (5.75% at June 30, 2018).	85,193	\$ 17,751
Line of credit of \$277,500, secured by the land at the Koinonia residential subdivision and all improvements; interest at prime plus 1.5% (6.25% at June 30, 2017).		221,026
\$50,000 line of credit with a bank which matured in October 2018, secured by The ReStore and construction warehouse contents and fixtures; interest rate at prime plus 1% (5.75 % at June 30, 2018).	28,030	36,000
Bank note payable with principal and interest due monthly Based on a 4 year amortization, matures March 10, 2020, secured by a vehicle; interest rate at 4.35%.	8,933	12,795
Bank note payable with principal and interest due monthly Based on a 4-year amortization, matures February 26, 2019, secured by a vehicle; interest rate at 4.99%.	<u>442</u>	<u>6,507</u>
Total notes payable	<u>\$ 1,293,723</u>	<u>\$ 294,079</u>

Principal payments at June 30, 2018 are due as follows:

2019	\$ 189,264
2020	73,036
2021	102,057
2022	102,057
2023	102,057
Thereafter	<u>725,252</u>
Total	<u>\$ 1,293,723</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Hurricane Harvey relief	\$ 319,652	
Brush-Up home repair program	30,076	\$ 11,240
Home construction	20,000	24,500
Community garden	15,000	15,000
Property purchase		100,000
Other		<u>3,020</u>
Total temporarily restricted net assets	<u>\$ 384,728</u>	<u>\$ 153,760</u>

NOTE 6 – CONDITIONAL CONTRIBUTIONS

During 2018, Golden Crescent Habitat received three conditional contributions from HFHI totaling \$950,610 for various Hurricane Harvey related work. The contributions are conditioned on the employment of additional staff, and completed home repairs on approximately 38 homes. As of June 30, 2018, \$151,232 has been recognized as conditions were substantially met.

NOTE 7 – RETIREMENT PLAN

Golden Crescent Habitat offers employees with one year of service the opportunity to participate in a §403(b) contributory retirement plan of their choice. Employee contributions are matched up to 5% of the employees' regular salary, and Golden Crescent Habitat may make a discretionary contribution to the employees' plans in any given year. Employer contributions totaling \$2,162 and \$2,742 were made for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS

A board member of Golden Crescent Habitat is the Vice-President of the primary banking institution used by Golden Crescent Habitat for both 2018 and 2017.

NOTE 9 – SUBSEQUENT EVENTS

In September 2018, Golden Crescent Habitat received a conditional grant contribution of approximately \$450,000 for major home repairs and replacement housing for low-income homeowners. In December 2018, Golden Crescent Habitat received a grant contribution of approximately \$2,768,000 for homes, building and repairs in Refugio County, Texas in response to Hurricane Harvey damages.

Additionally, the \$50,000 line of credit was renewed in fiscal year 2019 and matures in October 2019.

Management has evaluated subsequent events through **DATE OPEN**, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
