

Habitat for Humanity of Utah County
Financial Statements
June 30, 2018

Habitat for Humanity of Utah County

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June 30, 2018

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Independent Auditor's Report

Board of Directors
Habitat for Humanity of Utah County
Orem, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Utah County (a Utah nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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.

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 Utah County as of June 30, 2018, and the changes in 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

The financial statements of Habitat for Humanity of Utah County as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements have been audited by other auditors whose report dated February 9, 2018 expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gilbert & Stewart

Provo, Utah
January 20, 2019

HABITAT FOR HUMANITY OF UTAH COUNTY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

With Summarized Financial Information for 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$381,286	\$55,274
Short-term investments	-	151,427
Accounts Receivable	2,367	3,159
Prepaid Expenses	73,929	61,373
Other assets	91,608	88,723
Homes under construction and held for resale	1,250,167	581,224
Restore inventory	48,796	21,762
Interest bearing mortgage loan receivable - current portion	3,186	3,061
Non interest bearing mortgage loans receivable - current portion, net of discount of \$178,588 and \$188,012	60,069	59,305
Total current assets	<u>1,911,408</u>	<u>1,025,308</u>
Non current assets		
Property and equipment, net	1,696,030	1,743,010
Security deposits	10,000	10,000
Interest bearing mortgage loans receivable - net of current portion	5,459	11,036
Non interest bearing mortgage loans receivable , net of unamortized discount of \$2,371,120 and \$2,596,355, net of current portion and net of the allowance for loan loss of \$46,201	2,215,563	2,345,058
Total non current assets	<u>3,927,052</u>	<u>4,109,104</u>
Total Assets	<u>\$5,838,460</u>	<u>\$5,134,412</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$49,868	\$59,817
Accrued liabilities	22,560	58,797
Mortgage payable - current portion	72,281	66,748
Total Current Liabilities	<u>144,709</u>	<u>185,362</u>
Long Term Liabilities		
Mortgage payable - net of current portion	987,958	1,060,239
Total Long Term Liabilities	<u>987,958</u>	<u>1,060,239</u>
Total Liabilities	<u>1,132,667</u>	<u>1,245,601</u>
Net Assets		
Unrestricted	4,627,162	3,881,123
Temporarily Restricted Assets	78,631	7,688
Total Net Assets	<u>4,705,793</u>	<u>3,888,811</u>
Total Liabilities and Net Assets	<u>\$5,838,460</u>	<u>\$5,134,412</u>

See notes to financial statements

HABITAT FOR HUMANITY OF UTAH COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

With Summarized Financial Information for 2017

	Unrestricted	Temporarily Restricted	Total 2018	2017
Support				
Contributions and grants	\$ 748,742	\$ 78,631	\$ 827,373	\$ 998,828
In-kind donations	187,153	-	187,153	37,998
Special events:				
Special event revenue	43,353	-	43,353	33,245
Less cost of benefit to special event donors	(625)	-	(625)	(4,893)
Net assets released from restrictions	7,688	(7,688)	-	-
Total Support	986,311	70,943	1,057,254	1,065,178
Revenues				
Retail sales	1,114,950	-	1,114,950	1,085,044
Mortgage discount amortization	\$273,937	-	273,937	222,663
Transfer of homes	\$238,500	-	238,500	1,250,000
Other program income	\$84,170	-	84,170	46,473
Interest	5,757	-	5,757	3,130
Total Revenue	1,717,314	-	1,717,314	2,607,310
Total support and revenue	2,703,625	70,943	2,774,568	3,672,488
Expenses				
Programs Services				
Volunteer and family programs	932,860		932,860	2,508,841
Home improvement retail outlets	843,845		843,845	928,015
Total program services	1,776,705	-	1,776,705	3,436,856
Supporting Services				
Management and General	101,164	-	101,164	112,684
Fundraising and development	79,718		79,718	83,205
Total Supporting services	180,881	-	180,881	195,889
Total expenses	1,957,586	-	1,957,586	3,632,745
Change in net assets	746,039	70,943	816,982	39,743
Net assets - Beginning of year	3,881,123	7,688	3,888,811	3,849,068
Net Assets - End of Year	\$ 4,627,162	\$ 78,631	\$4,705,793	\$3,888,811

See notes to financial statements

HABITAT FOR HUMANITY OF UTAH COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

With Summarized Financial Information for 2017

	Program Services			Supporting Services			2018	2017
	Volunteer and Family Programs	Home Improvement Retail Outlets	Total	Mangement and General	Fundraising and Development	Total	Total	Total
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,578
Construction expense	7,210	-	7,210	-	-	-	7,210	31,495
Cost of home transferred	217,619	-	217,619	-	-	-	217,619	1,003,783
Cost of inventory sold	-	29,477	29,477	-	-	-	29,477	59,678
Depreciation expense	7,570	52,991	60,561	7,570	7,570	15,140	75,701	73,530
Equipment expense	1,446	181	1,626	1,446	1,446	2,892	4,518	6,646
Insurance	4,817	9,635	14,452	3,276	1,542	4,817	19,269	21,329
Interest	11,677	46,706	58,383	-	-	-	58,383	61,836
Mission specific costs	55,753	-	55,753	-	-	-	55,753	79,305
Mortgage discount	184,333	-	184,333	-	-	-	184,333	877,258
Mortgage servicing	7,648	-	7,648	-	-	-	7,648	7,878
Occupancy costs	1,663	162,979	164,642	832	832	1,663	166,305	158,955
Office supplies	1,981	-	1,981	1,922	1,922	3,845	5,825	6,081
Other	34,349	-	34,349	5,152	17,747	22,899	57,248	44,796
Postage	1,316	-	1,316	1,316	-	1,316	2,632	2,756
Printing	-	-	-	1,469	-	1,469	1,469	1,054
Professional services	3,346	-	3,346	22,395	-	22,395	25,741	33,257
Public relations	17,990	8,685	26,675	4,342	-	4,342	31,017	32,299
Retail store expenses	-	84,571	84,571	-	-	-	84,571	80,049
Salary and benefits	336,804	440,437	777,241	43,180	43,180	86,360	863,601	976,185
Tithe to Habitat for Humanity International	16,302	-	16,302	-	-	-	16,302	16,670
Travel and training	17,052	8,185	25,237	5,798	3,069	8,867	34,104	46,525
Utilities	3,984	-	3,984	2,466	3,035	5,501	9,485	8,695
Total expenses by function	932,860	843,845	1,776,705	101,164	80,343	181,506	1,958,211	3,637,638
Less expenses included with revenues on the statement of activities cost of direct benefit to special event donors	-	-	-	-	(625)	(625)	(625)	(4,893)
Total expenses included in the expense section on the statement of activities	\$ 932,860	\$ 843,845	\$ 1,776,705	\$ 101,164	\$ 79,718	\$ 180,881	\$ 1,957,586	\$ 3,632,745

See notes to financial statements

HABITAT FOR HUMANITY OF UTAH COUNTY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

With Summarized Financial Information for 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 816,982	\$ 39,743
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	75,701	73,530
Bad debt expense	-	7,578
Mortgage discount amortization	(273,937)	(222,663)
Discount on mortgages	184,333	877,258
Gain on transfer of homes	(20,881)	(246,217)
Changes in operating assets & liabilities		
(Increase) Decrease in accounts receivable	792	8,236
(Increase) Decrease in Prepaid Expenses	(12,556)	(20,493)
(Increase) Decrease in other assets	(2,885)	(9,267)
(Increase) Decrease homes under construction	(886,562)	(898,079)
(Increase) Decrease in restore inventory	(27,034)	1,817
Increase (Decrease) in Accounts Payable	(6,529)	(1,460)
Increase (Decrease) in Accrued Liabilities	(36,237)	23,280
Net Cash Provided (Used) By Operating Activities	(188,813)	(366,737)
Cash Flows From Investing Activities	-	-
Net change in short-term investments	151,427	(447)
Purchase of equipment	(28,723)	(6,499)
Collections on mortgage loan	453,417	359,698
Net cash from investing activities	576,121	352,752
Cash Flows from Financing Activities:		
Payments of mortgage payable	(61,296)	(63,342)
Net Cash Provided from Financing Activities	(61,296)	(63,342)
Net change in Cash and cash equivalents	326,012	(77,327)
Cash Balance - Beginning of Year	55,274	132,601
Cash Balance - End of Period	\$381,286	\$55,274
Non-cash financing activities:		
Cash payments for interest	\$ 58,383	\$ 61,836

See notes to financial statements

Habitat for Humanity of Utah County

Notes to Financial Statements

June 30, 2018

Note 1 – Principal Activity and Significant Accounting Policies

Organization

Habitat for Humanity of Utah County (the “Organization”) a nonprofit corporation, was incorporated on December 5, 1991. The Organization is an affiliate of Habitat for Humanity International (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelters a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization’s operations. Revenues to support the Organization are primarily received from donations of cash, materials, and services.

In April 2007, the Organization opened a discount home improvement outlet, called the ReStore in Orem, Utah. In April 2013, the Organization opened a second location in Spanish Fork, Utah. The ReStore sells to the general public, and most of the store’s merchandise has been donated by building supply stores, construction companies, and individuals in the community.

The accompanying financial statements have been prepared in accordance with standards for nonprofit organizations adopted by the Financial Accounting Standards Board. They are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when notice is received, and grant revenues are recorded when earned. ReStore donations are recorded when the items are sold as discussed below.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Use of Estimates

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

Habitat for Humanity of Utah County

Notes to Financial Statements

June 30, 2018

Cash and Cash Equivalents

For purposes of the financial statements, the Organization considers all cash and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. In addition, management also considers money market funds to be cash equivalents. From time to time during the year, the Organization's cash balance in financial institutions has exceeded the FDIC insurance limits. At June 30, 2018 and 2017, the Organization had no deposits with financial institutions that exceeded FDIC insurance.

Accounts Receivable and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for training programs. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2018, the allowance was \$0.

Short Term Investments

Short term investments consist of certificates of deposit with original maturities greater than 90 days, which are reported at cost.

Restore Home Improvement Outlets

The store's merchandise consists primarily of items that have been donated by building supply stores, construction companies, and individuals in the community. Because many of the donations are the result of overstocked items or are used items, the value of donations is not readily determinable until such merchandise is sold. Therefore, retail inventory from donated items of the store has not been recorded in these financial statements. Retail sales on these donated items are recorded at the point of sale. The remaining inventory which consists of purchased items is stated at the lower of cost or fair value determined by the first-in first-out method.

Homes under Construction and Held for Sale

Homes under construction and held for sale includes the direct and indirect costs of construction, land, and the donated value of materials and professional services used in the construction of homes. Transfer to homeowners is recorded when the home is occupied and title is transferred.

Property and Equipment

Equipment and leasehold improvements are recorded on the basis of cost for purchased assets or fair value at the date of donation for donated assets. The Organization capitalizes all acquisitions in excess of \$1,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated

Habitat for Humanity of Utah County

Notes to Financial Statements

June 30, 2018

Property and Equipment *(continued)*

future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2018 and 2017.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Board of Directors.

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. The restrictions stipulate that resources be maintained permanently but permit expending the income generated in accordance with the provisions of the agreements. There were no permanently restricted net assets at June 30, 2018.

Non-Interest Bearing Mortgage Loans

Mortgage loans are recorded when a homeowner occupies the home and title is transferred. Habitat International requires local chapters to discount their mortgage loans. The loan is recorded at the gross amount of payments to be received over the life of the mortgage, and an offsetting discount is recorded based on prevailing market rates at the inception of the mortgage. Discounts are amortized over the lives of the loans using the effective interest method.

Interest Bearing Mortgage Loans

Interest bearing mortgage loans are recorded at the gross amount of principal payments to be received over the life of the mortgage. Interest is recorded in the period which it is earned.

Contributions and Donor Restrictions

Contributions received are recorded as temporarily or permanently restricted depending on the existence and/or nature of any donor restrictions. Contributions not subject to donor restrictions are reported as unrestricted support. Temporarily restricted support represents contributions that are restricted by the donor for construction activities or for specific equipment purchases. Net assets restricted for construction are released from restricted net assets when construction costs are paid. If temporarily restricted

Habitat for Humanity of Utah County

Notes to Financial Statements

June 30, 2018

Contributions and Donor Restrictions (continued)

contributions are released from restricted net assets in the same year as the contribution is received, the contribution is reported as temporarily restricted support on the statement of activities. As of June 30, 2018 the Organization had no permanently restricted net assets.

Contributions related to special events are recognized in the period that the event occurs.

Government Grants

The Organization receives funding from several federal financial assistance programs that supplement its traditional funding sources. The Organization recognizes the award as government grant revenue as the expenses stipulated in the grant agreement have been incurred.

In-Kind Support

The Organization receives donations from a variety of sources for services and materials in the furtherance of its objectives. The in-kind support consists principally of discounts on services of professionals, building materials, and land. In-kind support is recorded at its fair value on the date of donation.

Program Services

Volunteer and Family Programs: Includes activities associated with completing homes, providing mortgage loans to program participants, and creating community awareness and participation. Volunteer and Family Programs also includes the Organization's neighborhood revitalization activities, which includes home repairs for needy individuals.

Home Improvement Retail Outlet: Includes the operations of the discount home improvement retail outlets, the ReStore.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$15,000 during the year ended June 30, 2018.

Functional Allocation of Expenses

The costs of providing the programs and services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Income Taxes

Habitat for Humanity of Utah County is organized as a state of Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under sections 509(a)(1). Habitat for Humanity of Utah County is required to file a

Habitat for Humanity of Utah County

Notes to Financial Statements

June 30, 2018

Income Taxes *(continued)*

Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such interest and penalties are incurred.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recent Accounting Guidance

In August 2016, the FASB issued Accounting Standards Update No. 2016-14: Not-for-Profit Entities. This new guidance stipulates that net assets be reported in two classes—net assets with donor restrictions and net assets without donor restrictions—rather than the currently required three classes. A number of enhanced disclosures covering various topics will also be required. This new guidance is effective for annual financial statements for fiscal years beginning after December 15, 2017. The Organization plans to implement this new guidance in its financial statements for the year ending June 30, 2019. The Organization is currently evaluating how this new guidance will affect the Organization's financial statements.

Subsequent Events

Subsequent events have been evaluated through January 20, 2019, which is the date the financial statements were available to be issued.

Note 2 – Homes under Construction and Held for Sale

A summary of activity in homes under construction and held for sale for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 581,224	\$ 686,928
Purchase of property	393,327	466,287
Taxes and additions	34,663	32,024
Construction costs	458,572	399,768
Transfer of homes	<u>(217,619)</u>	<u>(1,003,783)</u>
Ending Balance	<u>\$ 1,250,167</u>	<u>\$ 581,224</u>

Habitat for Humanity of Utah County

Notes to Financial Statements

June 30, 2018

Note 3 – Property and Equipment

As of June 30, 2018 and 2017, the cost of property and equipment was as follows:

	Depreciable Lives	2018	2017
Construction in progress		\$ 4,900	\$ -
Office equipment and improvements	5-7 years	18,334	18,334
Construction equipment	5-10 years	133,594	109,771
Retail store equipment and improvements	5-7 years	55,133	55,133
Building	40 years	<u>2,102,357</u>	<u>2,102,357</u>
Total		2,314,318	2,285,595
Less accumulated depreciation		<u>(618,288)</u>	<u>(542,585)</u>
Total, net		<u>\$ 1,696,030</u>	<u>\$ 1,743,010</u>

Note 4 – Non-Interest Bearing Mortgage Loans

As of June 30, 2018 and 2017, the Organization held 54 and 56 non-interest bearing mortgage loans, respectively. The mortgage loan maturities range from 20 to 40 years. These mortgages are secured by the underlying real estate that is located primarily in Utah County in Utah. All mortgages are secured with a security interest and trust deed in each property.

Cash reserves for insurance and taxes on each property are held in a third-party trust and are not included in the Organization's statement of financial position. The Organization has established an allowance for loan loss of \$46,021 for the years ended June 30, 2018 and 2017. Management determines the allowance for loan loss based on historical experience. The allowance is netted on the statement of financial position with non-interest bearing mortgage loan receivable. Mortgages are written off when deemed uncollectable. During the years ended June 30, 2018 and 2017 the Organization recognized bad debt expense of \$0 and \$0, respectively.

The mortgage loan principal is divided into two parts. The first part is the traditional loan payment. The second part is a second mortgage that is a lump sum due at the maturity date of the loan. This lump sum is forgiven incrementally over the life of the loan as long as the mortgage is not in default. The Organization has determined that this lump sum mortgage amount should be expensed as a discount on the loan and then subsequently recognized as a gain if it is determined that the mortgage will not receive forgiveness of the final lump sum payment. During the years ended June 30, 2018 and 2017, there were no homes in default and the Organization does not expect any of the current mortgages to be subject to payment of the second mortgage.

Habitat for Humanity of Utah County

Notes to Financial Statements

June 30, 2018

Note 4 – Non-Interest Bearing Mortgage Loans (*continued*)

Habitat International requires local chapters discount their non-interest bearing loans at certain discount rates published by the IRS. The discount is recorded as an offset to the gross payments to be received from the loans and a corresponding charge to “discount on mortgage loans receivable” in the accompanying statement of functional expenses. During the year ended June 30, 2018, one new loan totaling \$238,500 was issued with a maturity of 30 years. The 2018 loan had underlying construction costs of \$217,619 resulting in a gain on the completed home of \$20,881. During the year ended June 30, 2017, six new loans totaling \$1,250,000 were issued with maturities of 30 years. The 2017 loans had underlying construction costs of \$1,003,783 resulting in a gain on the completed homes of \$246,217. During the years ended June 30, 2018 and 2017, the loans included a lump sum discount of \$148,500 and \$314,500, respectively. The discount rate for the loans issued during the years ended June 30, 2018 and 2017 was 7.47% and 7.47%, respectively, resulting in a total original discount balance of \$35,833 and \$562,758, respectively, on the new loans.

As of June 30, 2018, the Organization was not accruing interest on any past-due loan balances.

The following is a schedule of maturities of non-interest bearing mortgage loans as of June 30, 2018:

Years Ending June 30,	Loan Payments
2019	\$ 238,657
2020	224,983
2021	223,680
2022	220,859
2023	219,533
Thereafter	3,743,649
Total	4,871,361
Unamortized discount	(2,549,708)
Allowance for loan loss	(46,021)
Current portion	(60,069)
Balance, net of current portion	\$ 2,215,563

Note 5 – Commitments

The Organization entered into an operating lease agreement for its Spanish Fork retail outlet store commencing March 16, 2013. The lease was renewed on January 1, 2015 for a four year period, and requires monthly payments of \$10,000 through January 1, 2019. During the year ended June 30, 2018, the Organization incurred rent expense of \$112,400 under this lease.

Habitat for Humanity of Utah County

Notes to Financial Statements

June 30, 2018

Note 5 – Commitments *(continued)*

Minimum required future lease payments under the building lease are as follows:

Years Ending June 30,	Amount
2019	\$ 60,000
Total	\$ 60,000

Note 6 – Mortgage Payable

The Organization's long-term debt as of June 30, 2018 and 2017 is as follows:

	2018	2017
5.25% note payable, due in monthly installments of \$10,360, including interest, beginning August 9, 2009 through October 26, 2019, when the remaining balance is due, secured by all depository accounts held with the financial institution	\$ 1,060,239	\$ 1,126,987
Less current portion	(72,281)	(66,748)
Long-term portion	\$ 987,958	\$ 1,060,239

Future maturities of long-term debt balances are as follows for the years ending June 30:

Years Ending June 30,	Amount
2019	\$ 72,281
2020	987,958
Total	\$ 1,060,239

Note 7 – Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 and 2017 consist of:

	2018	2017
Restricted by donors for Construction costs	\$ 78,631	\$ 7,688

Habitat for Humanity of Utah County

Notes to Financial Statements

June 30, 2018

Note 8 – Retirement Plan

The Organization sponsors a Simple IRA plan for its employees that meet eligibility requirements. All full-time employees are eligible to participate. Employees may defer any percentage of their compensation as contributions to the plan up to the statutory maximum allowed. The plan also provides for an employer discretionary match of up to 3% of participant compensation. During the years ended June 30, 2018 and 2017, the Organization contributed \$7,076 and \$8,737, respectively, to the plan on behalf of its employees.

Note 9 – Related Party Transactions

During the year ended June 30, 2018, the Organization made several payments to Habitat for Humanity International, including a stewardship and organizational sustainability fee of \$15,000. The organization also prepaid this amount for the subsequent year. The Organization also paid a certain percentage of revenues as a tithe to Habitat for Humanity International of approximately \$16,000 and \$17,000, respectively, during the years ended June 30, 2018 and 2017.