

**GREATER FREDERICKSBURG HABITAT
FOR HUMANITY, INC.**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2018 WITH
COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017**

**Mills, Dayton & Company, P.C.
1955 Jefferson Davis Highway, Suite 120
Fredericksburg, VA 22401**

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to Financial Statements	6-10

Mills, Dayton & Company, P.C.

Certified Public Accountants

1955 Jefferson Davis Highway, Suite 120
Fredericksburg, Virginia 22401

Phone: (540) 373-7230
Facsimile: (540) 373-7290
Email: mdayton@millsdayton.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greater Fredericksburg Habitat for Humanity, Inc.
Fredericksburg, VA 22401

We have audited the accompanying financial statements of Greater Fredericksburg Habitat for Humanity, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 have previously audited the Greater Fredericksburg Habitat for Humanity, Inc.'s 2017 financial statements, and our report dated January 11, 2018, expressed an unmodified opinion on those audited 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.

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 Greater Fredericksburg Habitat for Humanity, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mills, Dayton & Company, P.C.

MILLS, DAYTON & COMPANY, P.C.
Certified Public Accountants

October 25, 2018

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

ASSETS		
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 216 972	427 188
Cash - restricted	-	-
Assets held by others	18 550	18 579
Accounts receivable	185 230	11 577
Inventory	7 630	6 000
Other Assets	708	708
Prepaid Expenses	-	1 000
Mortgage loans – current portion	<u>86 000</u>	<u>50 466</u>
TOTAL CURRENT ASSETS	<u>515 090</u>	<u>515 518</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	220 744	209 838
Vehicles	19 523	19 523
Furniture, fixtures and equipment	<u>38 293</u>	<u>38 293</u>
	278 560	267 654
Less: Accumulated Depreciation	<u>79 308</u>	<u>57 958</u>
NET PROPERTY AND EQUIPMENT	<u>199 252</u>	<u>209 696</u>
OTHER ASSETS		
Mortgage loans receivable – less current portion	942 709	761 619
Land and land engineering costs	387 379	573 590
Construction in progress	97 412	143 202
Property for resale	43 310	43 310
Security deposits	15 500	14 000
Loan fees (net)	<u>188</u>	<u>236</u>
TOTAL OTHER ASSETS	<u>1 486 498</u>	<u>1 535 958</u>
TOTAL ASSETS	<u>\$2 200 840</u>	<u>\$2 261 171</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Mortgage payables – current portion	\$ 308 940	\$ 21 579
Accounts payable	76 018	75 910
Line of Credit	14 053	57 501
Accrued liabilities	<u>14 641</u>	<u>5 567</u>
TOTAL CURRENT LIABILITIES	<u>413 652</u>	<u>160 557</u>
LONG-TERM LIABILITIES		
Notes payable – less current portion	<u>85 229</u>	<u>276 060</u>
TOTAL LONG-TERM LIABILITIES	<u>85 229</u>	<u>276 060</u>
NET ASSETS		
Unrestricted	1 701 959	1 824 554
Temporarily restricted	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>1 701 959</u>	<u>1 824 554</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2 200 840</u>	<u>\$2 261 171</u>

See accompanying notes and accountants' report.

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2018</u> <u>Total</u>	<u>2017</u> <u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 108 080	\$ -	\$ 108 080	\$ 123 253
Endowments and grants	14 136	169 218	183 354	64 647
Interest income	1 151	-	1 151	1 214
Other income	88 153	-	88 153	79 496
Special events	29 327	-	29 327	28 663
Resale store	975 350	-	975 350	965 165
Sale of homes	349 928	-	349 928	204 900
Unrealized Gain (loss) in investments	33	-	33	54
Realized Gain (loss) on investments	13	-	13	22
Net assets released from restrictions				
Satisfaction of donor restrictions	<u>169 218</u>	<u>(169 218)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>1 735 389</u>	<u>-</u>	<u>1 735 389</u>	<u>1 467 414</u>
EXPENDITURES AND OTHER DEDUCTIONS				
Salaries and wages	635 407		635 407	578 958
Rent expense	188 536		188 536	172 635
Construction supplies	1 671		1 671	5 157
Cost of homes sold	642 979		642 979	132 036
Professional fees	8 708		8 708	14 970
Advertising	2 107		2 107	3 000
Bank fees	897		897	1 763
Bad Debt expense	4 077		4 077	3 400
Depreciation expense	21 350		21 350	20 179
Donations	21 500		21 500	27 850
Dues and memberships	8 779		8 779	10 009
Equipment rental	4 138		4 138	4 239
Insurance	50 407		50 407	30 670
Interest	5 434		5 434	8 688
Miscellaneous expenses	19 711		6 285	9 006
Office supplies	9 941		9 941	2 169
Program expenses	18 400		18 400	-
Program fees	3 366		3 366	9 889
Fundraising - Direct	20 738		20 738	11 300
Repairs and maintenance	8 550		8 550	12 865
Retail store supplies	15 643		15 643	21 374

See accompanying notes and accountants' report.

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	2018 <u>Total</u>	2017 <u>Total</u>
EXPENDITURES AND OTHER DEDUCTIONS (Continued)				
Small tools	8 396		8 396	9 371
Taxes and licenses	76 182		76 182	74 951
Telephone	8 656		8 656	11 717
Travel	11 106		11 106	6 131
Utilities	37 230		37 230	34 629
Vehicle expense	24 027		24 027	28 211
Amortization	<u>48</u>	<u>-</u>	<u>48</u>	<u>287</u>
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>\$ 1 857 984</u>	<u>-</u>	<u>\$ 1 857 984</u>	<u>\$ 1 245 454</u>
 CHANGE IN NET ASSETS	 \$(122 595)	 \$ -	 \$(122 595)	 \$ 221 960
 NET ASSETS AT BEGINNING OF YEAR	 1 824 554	 \$ -	 1 824 554	 1 602 594
 NET ASSETS AT END OF YEAR	 <u>\$ 1 701 959</u>	 <u>\$ -</u>	 <u>\$ 1 701 959</u>	 <u>\$ 1 824 554</u>

See accompanying notes and accountants' report.

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$(122 595)	\$ 221 960
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	21 350	20 179
Loss on Disposal	-	-
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable	(173 653)	13 770
(Increase) Decrease in mortgage receivable	(216 624)	42 934
(Increase) Decrease in inventory	(1 630)	1 500
(Increase) Decrease in loan fees	48	287
(Increase) Decrease in assets held by others	29	341
(Increase) Decrease in other assets	-	-
(Increase) Decrease in security deposits	(1 500)	-
(Increase) Decrease in Prepaid expenses	1 000	12 944
(Decrease) Increase in accounts payable	108	28 227
(Decrease) Increase in accrued expenses	<u>9 074</u>	<u>(25 067)</u>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	<u>(484 393)</u>	<u>317 075</u>
CASH FLOWS USED BY INVESTING ACTIVITIES		
(Increase) Decrease in construction in progress	45 790	(143 205)
(Increase) Decrease land and land engineering costs	186 211	(179 698)
(Increase) Decrease inventory held for resale	-	119 935
Purchase of fixed assets	<u>(10 906)</u>	<u>(24 216)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>221 095</u>	<u>(227 181)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in short-term debt - LOC	(43 448)	(60 700)
Increase (Decrease) in long-term debt	<u>96 530</u>	<u>138 219</u>
NET INCREASE (DECREASE)		
IN CASH PROVIDED BY		
FINANCING ACTIVITIES	<u>53 082</u>	<u>77 519</u>
NET INCREASE (DECREASE) IN CASH	<u>(210 216)</u>	<u>167 413</u>
CASH AT BEGINNING OF YEAR	<u>427 188</u>	<u>259 775</u>
CASH AT END OF YEAR	<u>\$ 216 972</u>	<u>\$ 427 188</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash paid during the year for Interest	\$ 5 434	\$ 8 688

See accompanying notes and accountants' report.

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Greater Fredericksburg Habitat for Humanity, Inc. (Habitat) (a nonprofit corporation) was incorporated on October 12, 1994. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat for Humanity International assists with information resources, training, publications, and prayer support and in other ways, Habitat is primarily and directly responsible for its own operations. Greater Fredericksburg Habitat for Humanity, Inc. operates primarily in the city of Fredericksburg, Virginia and the surrounding counties of Spotsylvania and Stafford.

Summary of Significant Accounting Policies

Contributions are generally available for unrestricted use in the year of receipt unless specifically restricted by the donor. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Classification of all other donor-restricted net assets depends on when the time restriction ends or the purpose restriction is accomplished. Temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets and in-kind contributions are recorded at their estimated fair value on the date of the contribution. The in-kind contributions received by Habitat are primarily construction materials.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, of volunteers who have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements because the criteria for recognition has not been satisfied.

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restrictions of Net Assets

Temporarily restricted net assets of \$0 are available for program related expenses including home construction costs. Net assets were released from donor restrictions by incurring expenses satisfying this purpose. The total net assets released from restrictions during the years ended June 30, 2018 and 2017 were \$169,218 and \$194,942, respectively.

Accounts Receivable

Accounts receivable are considered to be fully collectible and accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made. Bad debt expenses for the years ended June 30, 2018 and 2017 were \$4,077 and \$3,400, respectively.

Inventory

Inventory is valued at the lower of cost or market.

Mortgage Receivables

Mortgage receivables are non-interest bearing loans to homebuyers and are typically repaid over a thirty year period. The homes are collateral on these loans.

Subordinate Mortgages

When the Organization sells houses, at least one non-interest bearing mortgage is extended to the buyer. A second mortgage, if necessary, is given for the difference between the first mortgage and the sales price. Second mortgages are forgivable in annual amounts over half the life of the mortgage provided that the homeowner made all payments in full and on time during the 12 months preceding the anniversary of the mortgage. In the event the buyer sells the home prior to the full forgiveness of the second mortgage, the Organization, whose policy is not to recognize the discounted present value of these mortgages at the time they are given, recognizes as current revenue the amount received. For the year ended June 30, 2018 the Organization received \$43,925 from a second mortgage where the homebuyer defaulted.

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Home Sales

New home construction sales to homeowners are financed by GFHFH and are recorded when the title is transferred. Neighborhood Stabilization Program (NSP) home sales are financed by a variety of sources including GFHFH, the Virginia Department of Housing and Community Development (DHCD), and other grant sources as directed by the NSP program. Upon a sale of NSP program homes, GFHFH is required to return a percentage of program receipts to the NSP program. GFHFH estimates this liability/refund and reports such as an outstanding obligation. The full sales price of the home is reported as revenue with the corresponding sales price discount and mortgage loan discount reported as operating expenses.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost. Depreciation is computed on the straight-line or accelerated methods over the estimated useful life of the assets. Depreciation expenses for the years ended June 30, 2018 and 2017 were \$21,350 and \$20,179, respectively.

Income Taxes

Habitat has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service. In addition, Habitat International has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Advertising Costs

The organization expenses advertising costs as incurred. Advertising expenses for the years ended June 30, 2018 and 2017 were \$2,107 and \$3,000, respectively.

NOTE B – LONG-TERM LIABILITIES

Long-term liabilities consist of the following notes payable.

	<u>Total</u>	<u>Current</u>	<u>Long-Term</u>
VHDA Interest @ 3%	\$ 105 319	\$ 20 090	\$ 85 229
Neighborhood Stabilization Program			
No Interest, secured by two properties			
located at N. Shade Tree Lane and			
Taverneer Drive, Spotsylvania, Virginia	<u>288 850</u>	<u>288 850</u>	<u>-</u>
	<u>\$ 394 169</u>	<u>\$ 308 940</u>	<u>\$ 85 229</u>

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE B – LONG-TERM LIABILITIES
(Continued)

Maturities of the notes payable are as follows:

	<u>Year Ending June 30,</u>
2019	\$ 308 940
2020	18 739
2021	13 750
2022	12 957
2023 and thereafter	<u>39 783</u>
	<u>\$ 394 169</u>

NOTE C – RETAIL STORE

The organization operates a resale store primarily for construction materials and household items. The value of the donated items is not reflected in the financial statement. Because of the uncertainty of the values the criteria for recognition have not been satisfied.

NOTE D – OPERATING LEASE COMMITMENT

Effective November 1, 2016, the Organization relocated its office to 2376 Plank Road and the retail store to 2378 Plank Road, Fredericksburg, Virginia. The Organization leases its office facilities from Cosner Corner South, LLC and its retail store from Poor House, LLC. The lease terms for the new locations are five (5) years and the Organization has four (4) options to extend the term for an additional five (5) years each. The base rent payments are \$3,800.00 per month for the office space and \$10,200.00 per month for the retail store. On November 1st, 2019, and each November 1st thereafter, the base rent will increase to one hundred two percent (102%) of the monthly base rent for the preceding year. In April 2017, the Organization rented additional warehouse space for \$1,700 per month. The rent will increase one hundred two percent (102%) each year thereafter. The Organization is also responsible for real estate taxes, insurance and common area maintenance which will be billed separately by the landlord.

The minimum required lease payments for the office space and retail store are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 188 947
2020	191 606
2021	195 434
2022	196 643
2023	199 225

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE E - OPEN TAX YEARS

The organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the year ending 2018 is subject to examination by the IRS, generally for 3 years after it was filed.

NOTE F – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 25, 2018, which is the date the financial statements were available to be issued.