

**HABITAT FOR HUMANITY OF
NEW CASTLE COUNTY, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2017 AND 2016

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
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JUNE 30, 2017 AND 2016

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Independent Auditors' Report

To the Board of Directors
Habitat for Humanity of New Castle County, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

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 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 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 organization'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 organization's internal control. Accordingly, we express no such

To the Board of Directors
Habitat for Humanity of New Castle County, Inc.

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 New Castle County, Inc. as of June 30, 2017 and 2016, 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.

Belfint, Lyons & Shuman, P.A.

December 8, 2017
Wilmington, Delaware

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

| | 2017 | 2016 |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 910,191 | \$ 1,226,325 |
| Restricted Cash and Cash Equivalents | - | 34,950 |
| Accounts Receivable | 15,945 | - |
| Pledges and Grants Receivable, Current Portion | 10,925 | 6,500 |
| Prepaid Expenses | 47,975 | 49,574 |
| Inventory | 188,195 | 175,865 |
| Non-Interest-Bearing Mortgages Receivable (Current Portion) | 263,739 | 240,759 |
| TOTAL CURRENT ASSETS | 1,436,970 | 1,733,973 |
| NON-INTEREST-BEARING MORTGAGES RECEIVABLE | | |
| Non-Interest-Bearing Mortgages Receivable (Net of Current Portion) | 5,246,361 | 4,687,118 |
| Discount on Non-Interest-Bearing Mortgages Receivable | (2,623,045) | (2,843,899) |
| TOTAL NON-INTEREST-BEARING MORTGAGES RECEIVABLE (NET OF CURRENT PORTION) | 2,623,316 | 1,843,219 |
| PROPERTY AND EQUIPMENT (NET) | 906,261 | 974,542 |
| OTHER ASSETS | | |
| Restricted Cash and Cash Equivalents | - | 115,203 |
| Pledges and Grants Receivable, Net of Current Portion | 34,050 | - |
| Investments in Endowment Fund | 771,808 | 694,417 |
| Investments in Joint Venture HFHI-SA Leverage III, LLC | - | 2,503,538 |
| Construction in Progress, Net of Accrued Subsidies | 1,683,738 | 1,656,577 |
| Security Deposits | 22,874 | 22,874 |
| TOTAL OTHER ASSETS | 2,512,470 | 4,992,609 |
| TOTAL ASSETS | \$ 7,479,017 | \$ 9,544,343 |

LIABILITIES AND NET ASSETS

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Notes Payable (Current Maturities) | \$ 13,287 | \$ 431,391 |
| Accounts Payable | 127,509 | 121,666 |
| Accrued Expenses | 31,313 | 27,018 |
| Accrued Interest | - | 1,868 |
| | <u>172,109</u> | <u>581,943</u> |
| TOTAL CURRENT LIABILITIES | 172,109 | 581,943 |
| OTHER LIABILITIES | | |
| Notes Payable (Net of Current Maturities) | <u>180,432</u> | <u>2,591,914</u> |
| | <u>352,541</u> | <u>3,173,857</u> |
| TOTAL LIABILITIES | <u>352,541</u> | <u>3,173,857</u> |
| NET ASSETS | | |
| Unrestricted | 5,953,316 | 5,699,393 |
| Temporarily Restricted | 873,160 | 371,093 |
| Permanently Restricted | <u>300,000</u> | <u>300,000</u> |
| | <u>7,126,476</u> | <u>6,370,486</u> |
| TOTAL NET ASSETS | <u>7,126,476</u> | <u>6,370,486</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 7,479,017</u> | <u>\$ 9,544,343</u> |

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | | | Total |
|--|----------------------------|---------------------------|---------------------------|----------------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| SUPPORT AND REVENUE | | | | |
| Contributions and Grants | \$ 582,761 | \$ 1,146,555 | \$ - | \$ 1,729,316 |
| Transfers to Homeowners | 973,447 | - | - | 973,447 |
| Noncash Donations for Resale at ReStore | 1,364,939 | - | - | 1,364,939 |
| Merchandise and ReStore Revenues | 1,361,851 | - | - | 1,361,851 |
| Less: Merchandise and Cost of Goods Sold | (1,459,352) | - | - | (1,459,352) |
| Event Income | 221,465 | - | - | 221,465 |
| Less: Event Expenses | (77,078) | - | - | (77,078) |
| Other Revenue | 7,500 | - | - | 7,500 |
| Mortgage Loan Discount Amortization | 625,500 | - | - | 625,500 |
| Interest Income | 3,034 | - | - | 3,034 |
| Income From Investment in Joint Venture HFHI-SA Leverage III, LLC | - | - | - | - |
| Gain on Debt Extinguishment and Liquidation of Investment in Joint Venture HFHI-SA Leverage III | 255,208 | - | - | 255,208 |
| Investment Gain (Loss), Net | 77,391 | - | - | 77,391 |
| | <u>3,936,666</u> | <u>1,146,555</u> | <u>-</u> | <u>5,083,221</u> |
| Net Assets Released from Restrictions | <u>644,488</u> | <u>(644,488)</u> | <u>-</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>4,581,154</u> | <u>502,067</u> | <u>-</u> | <u>5,083,221</u> |
| EXPENSES | | | | |
| Program Services | 3,733,649 | - | - | 3,733,649 |
| Supporting Services | | | | |
| Management and General | 263,089 | - | - | 263,089 |
| Fundraising | 330,493 | - | - | 330,493 |
| TOTAL EXPENSES | <u>4,327,231</u> | <u>-</u> | <u>-</u> | <u>4,327,231</u> |
| CHANGE IN NET ASSETS | 253,923 | 502,067 | - | 755,990 |
| NET ASSETS - Beginning of Year | <u>5,699,393</u> | <u>371,093</u> | <u>300,000</u> | <u>6,370,486</u> |
| NET ASSETS - End of Year | <u><u>\$ 5,953,316</u></u> | <u><u>\$ 873,160</u></u> | <u><u>\$ 300,000</u></u> | <u><u>\$ 7,126,476</u></u> |

2016

| <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------|-----------------------------------|-----------------------------------|--------------|
| \$ 752,052 | \$ 703,126 | \$ 200,000 | \$ 1,655,178 |
| 1,263,355 | - | - | 1,263,355 |
| 1,210,236 | - | - | 1,210,236 |
| 1,173,289 | - | - | 1,173,289 |
| (1,236,627) | - | - | (1,236,627) |
| 144,891 | - | - | 144,891 |
| (42,655) | - | - | (42,655) |
| 13,091 | - | - | 13,091 |
| 333,195 | - | - | 333,195 |
| 3,721 | - | - | 3,721 |
| 61,239 | - | - | 61,239 |
| - | - | - | - |
| (15,701) | - | - | (15,701) |
| 3,660,086 | 703,126 | 200,000 | 4,563,212 |
| 938,396 | (938,396) | - | - |
| 4,598,482 | (235,270) | 200,000 | 4,563,212 |
| 3,844,849 | - | - | 3,844,849 |
| 204,179 | - | - | 204,179 |
| 249,750 | - | - | 249,750 |
| 4,298,778 | - | - | 4,298,778 |
| 299,704 | (235,270) | 200,000 | 264,434 |
| 5,399,689 | 606,363 | 100,000 | 6,106,052 |
| \$ 5,699,393 | \$ 371,093 | \$ 300,000 | \$ 6,370,486 |

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 755,990 | \$ 264,434 |
| Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities | | |
| Depreciation Expense | 70,841 | 78,407 |
| Interest From Amortization of Loan Fees | 60,863 | 7,303 |
| Investment (Gain) Loss, Net | (77,391) | 15,701 |
| Income from Investment in Joint Venture HFHI-SA Leverage III, LLC | - | (61,239) |
| Gain on Debt Extinguishment and Liquidation of Investment in Joint Venture HFHI-SA Leverage III | (255,208) | - |
| Net Mortgage Discounts Issued | 567,417 | 620,055 |
| Mortgage Loan Discount Amortization | (625,500) | (333,195) |
| Transfer to Homeowners | (973,447) | (1,263,355) |
| Contribution Received and Restricted for Investment in Endowment | - | (200,000) |
| Notes Payable Converted to Grant Revenue | (118,431) | - |
| Changes in Assets and Liabilities | | |
| Mortgages Receivable (including Changes in Discount from Exchanges) | 228,453 | 980,676 |
| Accounts Receivable | (15,945) | 9,017 |
| Pledges and Grants Receivable | (38,475) | 102,676 |
| Prepaid Expenses | 1,599 | (48,755) |
| Inventories | (12,330) | (37,148) |
| Construction in Progress, Net of Accrued Subsidies | (27,161) | 60,886 |
| Restricted Cash Released to Operations | 150,153 | 25,105 |
| Security Deposits | - | (22,874) |
| Accounts Payable | 5,843 | (52,181) |
| Accrued Expenses | 4,295 | 20,675 |
| Accrued Interest | (1,868) | (1,868) |
| Deferred Revenue | - | (17,500) |
| | (300,302) | 146,820 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property and Equipment | (2,560) | (243,652) |
| Deposits to Investments in Endowment Fund | - | (200,000) |
| Interest Earned and Retained in Restricted Cash and Cash Equivalents | - | (231) |
| Distributions from Investment in Joint Venture HFHI-SA Leverage III, LLC | - | 11,208 |
| | (2,560) | (432,675) |

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|---------------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Notes Payable | \$ - | \$ 293,504 |
| Repayments of Notes Payable | (13,272) | (100,745) |
| Contribution Received and Restricted for Investment in Endowment | - | 200,000 |
| | <u>(13,272)</u> | <u>200,000</u> |
| NET CASH FROM FINANCING ACTIVITIES | <u>(13,272)</u> | <u>392,759</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (316,134) | 106,904 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>1,226,325</u> | <u>1,119,421</u> |
| CASH AND CASH EQUIVALENTS - End of Year | <u>\$ 910,191</u> | <u>\$ 1,226,325</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash Paid During the Year for Interest | <u>\$ 11,271</u> | <u>\$ 22,418</u> |
| Noncash Investing and Financing Activities | | |
| Reduction in Investment in Joint Venture from Exercised Put Option | <u>\$ 2,503,538</u> | <u>\$ -</u> |
| Reduction in Notes Payable from Exercised Put Option | <u>\$ 2,758,746</u> | <u>\$ -</u> |
| Reduction in Notes Payable from Notes Payable Converted to Grant Revenue | <u>\$ 118,431</u> | <u>\$ -</u> |

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: NATURE OF ACTIVITIES

Habitat for Humanity of New Castle County, Inc., a nonprofit organization (Organization), was incorporated in 1986. The Organization 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 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 also provides its “A Brush with Kindness” (ABWK) program. ABWK is a nationwide effort to serve low-income homeowners who struggle to maintain the exterior of their homes. Groups of volunteers work alongside the homeowner to revitalize a home's exterior.

The Organization operates two ReStores, with locations in Wilmington and Middletown, Delaware. These ReStores are retail outlets where quality used and surplus building materials, furniture, and appliances are sold at a fraction of normal prices. The materials sold by the ReStores are usually donated from building supply stores, contractors, demolition crews or from individuals who wish to show their support for the Organization. In addition to raising funds, the ReStores help the environment by rechanneling good, usable materials into use. The proceeds from the ReStores help the Organization fund the construction of houses within the community. The ReStores are a department of the Organization and not a separate legal entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Reporting - As required by the *Financial Statements of Not-for-Profit Entities* of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958, 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.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Statement Reporting - Continued

Unrestricted Net Assets - Unrestricted net assets are those that are neither permanently restricted nor temporarily restricted for a specific purpose or purposes, and are available for the general operations of the Organization.

Temporarily Restricted Net Assets - Operating funds restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues when the Organization has incurred expenditures in compliance with the specific restrictions, or as a result of the passage of time restricting the use of the funds. Donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as assets released from restrictions.

Permanently Restricted Net Assets - Permanently restricted funds are restricted by the donor to be maintained in perpetuity for the use of the donee organization. Generally, the donors of these funds permit the donee organization to use all or part of the income earned on related investments for general or specific purposes. Accumulated unexpended investment gains on permanently restricted funds are considered temporarily restricted until such accumulated gains are spent; temporarily restricted net assets are then reclassified and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Deposit balances in excess of federally insured limits as of June 30, 2017 and 2016 were \$469,729 and \$800,867, respectively.

Accounts Receivable - Accounts receivable are carried at cost. The Organization does not accrue finance or interest charges. On a periodic basis, management evaluates its accounts receivable based on the history of past write-offs and collections. An account is written off when it is determined that all collection efforts have been exhausted.

The Organization uses the specific write-off method to provide for doubtful accounts since experience and management's estimation indicate an allowance for such amounts is immaterial.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pledges and Grants Receivable - Unconditional pledges receivable are recognized as revenues or gains in the period received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. Provisions for uncollectible receivables are offset against contributions when determined to be uncollectible by management. It is the opinion of management that the expense computed under this method is not materially different than what the expense would be if the allowance method were used.

Fair Value of Financial Instruments - FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The carrying amounts for cash and cash equivalents, receivables, prepaid expenses, payables, accrued expenses, and deferred revenue approximate their fair value because of their short-term maturity. The carrying value amount of long-term debt approximates its fair value since the Organization's interest rates approximate current interest rates.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value of Financial Instruments - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2017 and 2016.

Endowment Fund, Pooled Separate Accounts - Valued at the net asset value (NAV) of units held by the Organization at year-end based on the market value of its underlying investments. Although the pooled separate accounts are not available in an active market, the NAV of the units are approximated based on the quoted prices of the underlying investments that are traded in an active market.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

| | 2017 | | | |
|--|-------------|-------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment in Pooled Separate Accounts | \$ - | \$ 771,808 | \$ - | \$ 771,808 |
| | <u>\$ -</u> | <u>\$ 771,808</u> | <u>\$ -</u> | <u>\$ 771,808</u> |
| | 2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Investment in Pooled Separate Accounts | \$ - | \$ 694,417 | \$ - | \$ 694,417 |
| | <u>\$ -</u> | <u>\$ 694,417</u> | <u>\$ -</u> | <u>\$ 694,417</u> |

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories - Inventories are valued at the lower of cost or market, with cost determined by the first-in, first-out method.

Mortgages Receivable - Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

Because mortgages receivable are secured by real estate, and ultimately through the process of foreclosure, management believes that procedures will result in collection. Accordingly, no allowance for uncollectible accounts has been provided.

Investment in Joint Venture - The investment in joint venture is accounted for using the equity method. Under the equity method, the initial investment is recorded at cost and is subsequently increased or decreased by its share of income or loss and increased or decreased by the amount of any contributions made or distributions received.

Property and Equipment - Property and equipment acquired by the Organization are considered owned by the Organization and are valued at cost. Donated property and equipment acquired by the Organization are considered owned by the Organization and are valued at fair value at the time of the donation. Depreciation is provided on the straight-line method. Maintenance and minor repairs are charged to operations when incurred. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in current operations.

The estimated useful lives for depreciation are:

| | |
|------------------------------------|--------------|
| Automobiles | 5 Years |
| Buildings and Improvements | 7 - 39 Years |
| Equipment, Furniture, and Software | 3 - 7 Years |

Long-Lived Assets - As required by FASB ASC 360, *Property, Plant, and Equipment*, long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell. There was no impairment loss as of June 30, 2017 and 2016.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Intangible Assets - Intangible assets consist of loan origination fees incurred in connection with obtaining long-term financing. During the year ended June 30, 2017, the Organization retroactively adopted the requirements in ASC 835-30, *Imputation of Interest*, to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset (Note 10). Amortization of the loan origination fees is calculated using the straight-line method over the term of the related financing agreement and is reported as interest expense.

Construction in Progress - Construction in progress is carried at cost less accrued subsidies. Cost includes initial acquisition and all subsequent costs to develop the property. It is not the Organization's intent to earn a profit selling developed property. Generally, sales are at a loss. The Organization considers losses incurred to be a subsidy to the respective buyer. However, in accordance with accounting principles generally accepted in the United States of America, the Organization records a provision of estimated losses on construction in progress in the period such losses are determined. These estimated losses are recorded on the statements of financial position as accrued subsidies included in the cost of construction incurred. As of June 30, 2017 and 2016, accrued subsidies on construction in progress were \$1,594,714 and \$1,565,227, respectively.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets. When a temporary restriction expires, the net assets are reclassified to unrestricted net assets as net assets released from restrictions in the statements of activities.

Donated Services - The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services and support services. No amounts have been recognized in the statements of activities because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Donated Inventory - The Organization received noncash contributions from donors in the amount of \$1,364,939 and \$1,210,236 for the years ended June 30, 2017 and 2016, respectively. These noncash items were provided to the ReStore for resale to support the Organization's mission.

Transfers to Homeowners - Transfers to homeowners are recorded at the gross mortgage amount plus down payment received. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Home Construction Costs - Costs incurred in conjunction with home construction are capitalized as construction in progress. Capitalized construction costs are expensed when ownership transfers to the homeowners. Any post-settlement costs are expensed as incurred.

Functional Allocation of Expenses - The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). However, a Form 990, Return of Organization Exempt from Income Taxes, is required to be filed each year. The Organization complies with other Internal Revenue Service reporting requirements regarding contributions received and payments to independent contractors.

The Organization has evaluated the effects of FASB ASC 740, *Income Taxes*, and has concluded that the Organization recognizes tax benefits only to the extent that the Organization believes it is “more likely than not” that its tax positions will be sustained upon a taxing authorities' examination.

The federal informational returns of the Organization for the years ended June 30, 2014, 2015, and 2016 are subject to examination by the tax authorities, generally for three years after they were filed.

Subsequent Events - The Organization's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS

As of June 30, 2017 and 2016, the Organization held \$0 and \$34,950, respectively, in separate bank accounts as a condition of the loan agreement to pay fees related to the Citi First Capital 21, LLC loan.

As of June 30, 2017 and 2016, the Organization held \$0 and \$115,203, respectively, in a separate money market reserve account to satisfy conditions of a mortgage sale agreement to repurchase delinquent loans.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 4: PLEDGES AND GRANTS RECEIVABLE

As of June 30, 2017 and 2016, unconditional promises to give for the construction of homes was \$44,975 and \$6,500, respectively. There was no present value discount or allowance for uncollectible pledges and grants receivable included in the financial statements as of June 30, 2017 and 2016.

Pledges and grants receivable consisted of the following unconditional promises to give:

| | <u>2017</u> | <u>2016</u> |
|--------------------------|------------------|-----------------|
| Amounts Due in | | |
| Less than One Year | \$ 10,925 | \$ 6,500 |
| One to Five Years | <u>34,050</u> | <u>-</u> |
| Ending Balance - June 30 | <u>\$ 44,975</u> | <u>\$ 6,500</u> |

NOTE 5: CONDITIONAL PROMISES TO GIVE

As of June 30, 2017 and 2016, the Organization had conditional promises to give in the amount of \$160,000. The conditions to satisfy the grants were to complete and sell various housing projects.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment as of June 30 were as follows:

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|-------------------|-------------------|
| Land | \$ 152,523 | \$ 152,523 |
| Automobiles | 98,953 | 98,953 |
| Building and Improvements | 1,115,223 | 1,112,663 |
| Equipment, Furniture, and Software | <u>135,614</u> | <u>135,614</u> |
| | 1,502,313 | 1,499,753 |
| Less: Accumulated Depreciation | <u>596,052</u> | <u>525,211</u> |
| Net Property and Equipment | <u>\$ 906,261</u> | <u>\$ 974,542</u> |

Depreciation expense for the years ended June 30, 2017 and 2016 was \$70,841 and \$78,407, respectively.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 7: ENDOWMENT FUND

The endowment fund consists of pooled investments managed by the Delaware Community Foundation (DCF). The Organization is the primary income beneficiary. DCF reserves the right to make the final decision regarding distributions to the Organization.

Endowment fund activity consisted of the following for the years ended June 30:

| | <u>2017</u> | <u>2016</u> |
|----------------------------|-------------------|-------------------|
| Beginning Balance - July 1 | \$ 694,417 | \$ 510,118 |
| Contributions | - | 200,000 |
| Investment Income (Loss) | <u>77,391</u> | <u>(15,701)</u> |
| Ending Balance - June 30 | <u>\$ 771,808</u> | <u>\$ 694,417</u> |

The Organization does not believe that investments within the DCF endowment fund are within the scope of the Financial Accounting Standards Board's Accounting Standard Codification 958 (ASC 958), *Not-for-Profit Organizations*, in regard to required disclosures for endowments, because in contrast to donor-restricted endowment funds, no ongoing decisions about the investment of the trust or distributions from the trust are within the authority of the Organization.

Endowment fund income consisted of the following for the years ended June 30:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|------------------|--------------------|
| Realized and Unrealized Gain (Loss) | \$ 75,986 | \$ (18,819) |
| Income Earned | 10,773 | 10,786 |
| Administrative and Investment Fees | <u>(9,368)</u> | <u>(7,668)</u> |
| Investment Income (Loss), Net of Fees | <u>\$ 77,391</u> | <u>\$ (15,701)</u> |

NOTE 8: INVESTMENT IN JOINT VENTURE HFHI-SA LEVERAGE III, LLC

In 2010, the Organization invested, along with ten (10) other Habitat International affiliates, in a joint venture (HFHI-SA Leverage III, LLC) with thirteen percent (13%) ownership to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new market tax credits to be applied against their federal tax liability. The program provided funds to eligible organizations for investment in "qualified low-income community investment."

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 8: INVESTMENT IN JOINT VENTURE HFHI-SA LEVERAGE III, LLC - CONTINUED

Program compliance requirements included creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period. As a result, the Organization was able to secure a 15-year loan in the amount of \$2,758,746 payable to a community development entity (an affiliate of the joint venture). The loan proceeds were to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents. The loan accrued interest only for years one (1) through seven (7) at a reduced rate of 0.8126%. Beginning in year 8 through year 15 the principal balance of the loan was reduced by an eight-year amortization at the same rate of 0.8126%.

In 2010, the Organization recorded its 13% investment in HFHI-SA Leverage III, LLC at the cost of investment plus transaction costs, expendable construction funds, escrow cash, and program cost liabilities.

In December 2016, City First Capital Investment Fund 21, LLC (Fund) and the upstream effective owner of City First Capital 21, LLC (holder of the promissory note due from the Organization) exercised its put option. Under the terms of the put option agreement, HFHI-SA Leverage III, LLC purchased the ownership interest of the Fund. Exercise of the option allowed the Organization to extinguish its outstanding debt owed to the Fund. As a result, the carrying amount of the investment was reduced to \$0 as of June 30, 2017. The carrying amount of the investment was \$2,503,538 as of June 30, 2016.

NOTE 9: NOTE PAYABLE - DEMAND

The Organization has a revolving line of credit with a local financial institution in the amount of \$300,000. Principal is payable on demand with interest paid monthly at the bank's prime rate (4.25% as of June 30, 2017) less 1% annually on all outstanding balances. The line of credit is considered due on demand; therefore, renewal documentation is not required each year unless changes are made to the original agreement. The line of credit is collateralized by a security interest in the assets of the Organization. No amounts were outstanding on the line of credit as of June 30, 2017 and 2016.

NOTE 10: NOTES PAYABLE

Notes payable as of June 30 were as follows:

| | 2017 | 2016 |
|---|----------|-----------|
| <i>Habitat for Humanity International, Inc.</i> - Interest-free note payable, payable in monthly installments of \$445 starting July 2013 through June 2018. The note payable is collateralized by mortgages receivable and assets of the Organization. | \$ 5,355 | \$ 10,695 |

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 10: NOTES PAYABLE - CONTINUED

| | 2017 | 2016 |
|---|------------|--------------|
| <i>City of Wilmington, Delaware</i> - The Organization has interest-free forgivable loans with the City of Wilmington. There were three and seven loans outstanding as of June 30, 2017 and 2016, respectively. The notes do not require principal payments. The notes convert to grants at the date of the sale to the homeowner. The notes payable are collateralized by the real estate. | \$ 88,823 | \$ 207,254 |
| <i>City of Wilmington, Delaware</i> - Forgivable loan with interest payable at 5.0%. Note requires payments of interest only. Upon sale of a home to a qualified buyer, the obligation reverts to grant revenue. The note payable is collateralized by the real estate. | 21,000 | 21,000 |
| <i>City of Wilmington, Delaware</i> - Forgivable loan with interest payable at 5.0%. Note requires payments of interest only. Upon sale of a home to a qualified buyer, the obligation reverts to grant revenue. The note payable is collateralized by the real estate. | 56,000 | 56,000 |
| <i>City of Wilmington, Delaware</i> - Forgivable loan with interest payable at 5.0%. Note requires payments of interest only. Upon sale of a home to a qualified buyer, the obligation reverts to grant revenue. The note payable is collateralized by the real estate. | 6,000 | 6,000 |
| <i>Habitat for Humanity International, Inc.</i> - Interest-free note payable, payable in monthly installments of \$661 starting July 2015 through May 2019 with a balloon payment of \$678 due June 2019. The note payable is collateralized by mortgages receivable and assets of the Organization. | 16,541 | 24,473 |
| <i>City First Capital 21, LLC</i> - Note payable at 0.8126%. Semi-annual interest-only payments commencing on December 1, 2009 through December 1, 2016. Commencing on December 1, 2016, semi-annual payments in an amount sufficient to fully amortize the remaining principal balance over 8 years. The note payable had a put option feature that was exercised in December 2016 (Note 9). | - | 2,758,746 |
| Total Notes Payable | 193,719 | 3,084,168 |
| Less: Current Portion | 13,287 | 431,391 |
| Less: Unamortized Loan Origination Fees | - | 60,863 |
| Total Notes Payable, Net of Current Portion | \$ 180,432 | \$ 2,591,914 |

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 10: NOTES PAYABLE - CONTINUED

Loan origination fees were originally capitalized at \$109,552. As a result of the extinguishment of debt owed to City First Capital 21, LLC, the remaining unamortized intangible asset was expensed during the year ended June 30, 2017. Accumulated amortization as of June 30, 2017 and 2016 was \$109,552 and 48,689, respectively. Amortization expensed as interest for the years ended June 30, 2017 and 2016 was \$60,863 and \$7,303, respectively.

The following are the annual maturities of the long-term debt for the years ending June 30:

| | | |
|------------|----|-----------------------|
| 2018 | \$ | 13,287 |
| 2019 | | 8,609 |
| 2020 | | - |
| 2021 | | - |
| 2022 | | - |
| Thereafter | | <u>171,823</u> |
| Total | \$ | <u><u>193,719</u></u> |

NOTE 11: LEASE COMMITMENTS

The Organization leases various facilities and a copier under noncancelable operating leases which expire in various years through November 30, 2025. Rent expense on the facilities and copier was \$275,445 and \$8,039, respectively, for the year ended June 30, 2017 and \$133,247 and \$12,995, respectively, for the year ended June 30, 2016.

The following are the future minimum lease payments required by these leases for the years ending June 30:

| | <u>Facilities</u> | <u>Copiers</u> | <u>Total</u> |
|------------------------------|----------------------------|-------------------------|----------------------------|
| 2018 | \$ 302,480 | \$ 3,302 | \$ 305,782 |
| 2019 | 306,417 | 3,504 | 309,921 |
| 2020 | 306,417 | 3,504 | 309,921 |
| 2021 | 192,695 | 3,504 | 196,199 |
| 2022 | 169,950 | 584 | 170,534 |
| Thereafter | <u>619,399</u> | <u>-</u> | <u>619,399</u> |
| Total Minimum Lease Payments | <u><u>\$ 1,897,358</u></u> | <u><u>\$ 14,398</u></u> | <u><u>\$ 1,911,756</u></u> |

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 12: COMMITMENTS AND CONTINGENCIES

The Organization is required to repurchase any mortgage loan that becomes 120 days past due. The Organization is notified regularly of delinquent mortgages that are at risk of repurchase. During the years ended June 30, 2017 and 2016, the Organization was required to repurchase \$348,561 and \$184,206, respectively in delinquent mortgage receivables. The mortgage receivable repurchases occurred in simultaneous transactions with sales of mortgage receivables in the amount of \$376,431 and \$916,814 during the years ended June 30, 2017 and 2016, respectively. The Organization received \$25,489 and \$572,148 in net proceeds during the years ended June 30, 2017 and 2016, respectively, from these transactions.

NOTE 13: NET ASSETS RELEASED FROM TEMPORARILY RESTRICTED NET ASSETS

Net assets released from donor restrictions by incurred expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended June 30:

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------|-------------------|-------------------|
| Purpose Restrictions Accomplished | | |
| Construction of Homes | \$ 602,016 | \$ 815,557 |
| Vehicle Purchase | - | 30,000 |
| A Brush With Kindness | <u>42,472</u> | <u>92,839</u> |
| Total Releases from Restrictions | <u>\$ 644,488</u> | <u>\$ 938,396</u> |

Net assets were temporarily restricted for the following purposes as of June 30:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Construction of Homes | \$ 873,160 | \$ 371,093 |
| A Brush With Kindness | <u>-</u> | <u>-</u> |
| Total Temporarily Restricted Net Assets | <u>\$ 873,160</u> | <u>\$ 371,093</u> |

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 14: HOME CONSTRUCTION COSTS

Following is a summary of home building activity:

| | Years Ended June 30 | |
|--|---------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| Construction in Process (Net of Accrued Subsidies) - Beginning | \$ 1,656,577 | \$ 1,717,463 |
| Cost of Homes Transferred | (1,238,712) | (1,409,895) |
| Capitalized Home Development Costs | 1,295,360 | 1,154,731 |
| Change in Accrued Subsidies on Homes Under Construction | <u>(29,487)</u> | <u>194,278</u> |
| Construction in Process (Net of Accrued Subsidies) - Ending | <u>\$ 1,683,738</u> | <u>\$ 1,656,577</u> |
| Homes Under Construction - Beginning | 21 | 27 |
| Homes Transferred to Homeowners | (7) | (7) |
| Home Managed by HFH for Visiting Groups | (1) | - |
| New Homes Entering Development Stage | <u>-</u> | <u>1</u> |
| Homes Under Construction - Ending | <u>13</u> | <u>21</u> |

NOTE 15: RELATED-PARTY TRANSACTION

The Organization maintained a vendor relationship in fiscal year ended June 30, 2017 with a mechanical and electrical contracting service company, whose co-owner is a member of the Organization's Board of Directors. All such relationships are subject to the same procurement requirements, policies, and control as the Organization applies to its other vendors. For the years ended June 30, 2017 and 2016, the Organization incurred expenses totaling \$0 and \$18,550, respectively, under this relationship. There were no accounts payable outstanding relating to this transaction.

The Organization is an affiliate of Habitat International. Affiliate fees paid to Habitat International were \$15,000 for the years ended June 30, 2017 and 2016.

NOTE 16: RETIREMENT PLAN

The Organization sponsors a 401(k) plan. Full time employees with 30 days of service are eligible to participate in the plan. Matching contributions are made on a discretionary basis as approved by the Organization's board of directors. For the years ended June 30, 2017 and 2016 matching contributions of \$13,822 and \$0 respectively, were determined based on 2% eligible compensation.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 17: RESTORE

Selected operating information for the Organization's Restore program is as follows:

| | Years Ended June 30 | |
|--|---------------------|--------------|
| | 2017 | 2016 |
| Noncash Donations for Resale at ReStore | \$ 1,364,939 | \$ 1,210,236 |
| Merchandise and ReStore Revenues | 1,361,851 | 1,173,289 |
| Less: Merchandise and Cost of Goods Sold | (1,459,352) | (1,236,627) |
| | 1,267,438 | 1,146,898 |
| Other Restore Expenses | (1,118,155) | (874,347) |
| Net Restore Activity | \$ 149,283 | \$ 272,551 |

NOTE 18: CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2017, the Organization retroactively adopted the requirements in ASC 835-30, *Imputation of Interest* to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. The following is a summary of the adjustments made to the June 30, 2016 financial statements:

| | As Previously Reported | As Restated | Change |
|---|---------------------------|-------------|-------------|
| <u>As of June 30, 2016</u> | | | |
| Intangible Assets (Net) | \$ 60,863 | \$ - | \$ (60,863) |
| Total Assets | 9,605,206 | 9,544,343 | (60,863) |
| Notes Payable (Net of Current Maturities) | 2,652,777 | 2,591,914 | (60,863) |
| Total Liabilities | 3,234,720 | 3,173,857 | (60,863) |

The change had no effect on previously reported change in net assets for the year ended June 30, 2016 or total net assets as of June 30, 2016.



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Independent Auditors' Report on Supplementary Information

To the Board of Directors
Habitat for Humanity of New Castle County, Inc. Wilmington, Delaware

We have audited the financial statements of Habitat for Humanity of New Castle County, Inc. as of and for the years ended June 30, 2017 and 2016, and our report thereon dated December 8, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purpose of additional analysis and are not required parts 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 audit 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 financial statements as a whole.

Belfint, Lyons & Shuman, P.A.

December 8, 2017
Wilmington, Delaware

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

| | <u>Program Services</u> | | | | <u>Supporting Services</u> | | | <u>Total Expenses</u> | |
|----------------------------------|----------------------------|---|----------------------------------|----------------------------|---------------------------------------|--------------------------|-----------------------------------|--------------------------|--|
| | <u>Construction</u> | <u>Discounts on Mortgage Originations</u> | <u>A Brush with Kindness</u> | <u>Restore</u> | <u>Total Program Services</u> | <u>Fundraising</u> | <u>Management and General</u> | | <u>Total Supporting Services</u> |
| Salary and Related Costs | \$ 423,472 | \$ - | \$ 12,039 | \$ 498,829 | \$ 934,340 | \$ 304,103 | \$ 45,433 | \$ 349,536 | \$ 1,283,876 |
| Construction Administration | 44,106 | - | - | - | 44,106 | - | 33,402 | 33,402 | 77,508 |
| Advertising | - | - | - | 85,760 | 85,760 | - | - | - | 85,760 |
| Interest - Loan Fee Amortization | - | - | - | - | - | - | 60,863 | 60,863 | 60,863 |
| Building Materials and Supplies | 1,386,427 | - | - | - | 1,386,427 | - | - | - | 1,386,427 |
| Depreciation | 18,136 | - | - | 38,181 | 56,317 | - | 14,524 | 14,524 | 70,841 |
| Fundraising | - | - | - | - | - | 26,390 | - | 26,390 | 26,390 |
| HFHI Franchise Fee | - | - | - | - | - | - | 15,000 | 15,000 | 15,000 |
| Loan Servicing Fees | - | - | - | - | - | - | 11,684 | 11,684 | 11,684 |
| Miscellaneous | - | - | 84,516 | - | 84,516 | - | - | - | 84,516 |
| Mortgage Discounts | - | 567,417 | - | - | 567,417 | - | - | - | 567,417 |
| Occupancy | - | - | - | 398,106 | 398,106 | - | 5,846 | 5,846 | 403,952 |
| Professional Services | - | - | - | - | - | - | 76,322 | 76,322 | 76,322 |
| Restore Supplies | - | - | - | 74,412 | 74,412 | - | - | - | 74,412 |
| Telephone | 8,915 | - | - | - | 8,915 | - | 15 | 15 | 8,930 |
| Tithe to Habitat International | 53,279 | - | - | 22,867 | 76,146 | - | - | - | 76,146 |
| Training | 17,187 | - | - | - | 17,187 | - | - | - | 17,187 |
| TOTAL | <u>\$ 1,951,522</u> | <u>\$ 567,417</u> | <u>\$ 96,555</u> | <u>\$ 1,118,155</u> | <u>\$ 3,733,649</u> | <u>\$ 330,493</u> | <u>\$ 263,089</u> | <u>\$ 593,582</u> | <u>\$ 4,327,231</u> |

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

| | <u>Program Services</u> | | | | <u>Supporting Services</u> | | | <u>Total Expenses</u> | |
|----------------------------------|----------------------------|---|----------------------------------|--------------------------|---------------------------------------|--------------------------|-----------------------------------|--------------------------|--|
| | <u>Construction</u> | <u>Discounts on Mortgage Originations</u> | <u>A Brush with Kindness</u> | <u>Restore</u> | <u>Total Program Services</u> | <u>Fundraising</u> | <u>Management and General</u> | | <u>Total Supporting Services</u> |
| Salary and Related Costs | \$ 454,112 | \$ - | \$ - | \$ 375,049 | \$ 829,161 | \$ 232,499 | \$ 57,338 | \$ 289,837 | \$ 1,118,998 |
| Construction Administration | 73,872 | - | - | - | 73,872 | - | 32,121 | 32,121 | 105,993 |
| Advertising | - | - | - | 107,500 | 107,500 | - | - | - | 107,500 |
| Interest - Loan Fee Amortization | - | - | - | - | - | - | 7,303 | 7,303 | 7,303 |
| Building Materials and Supplies | 1,543,334 | - | - | - | 1,543,334 | - | - | - | 1,543,334 |
| Depreciation | 18,284 | - | - | 41,845 | 60,129 | - | 18,278 | 18,278 | 78,407 |
| Fundraising | - | - | - | - | - | 16,301 | - | 16,301 | 16,301 |
| HFHI Franchise Fee | - | - | - | - | - | - | 15,000 | 15,000 | 15,000 |
| Loan Servicing Fees | - | - | - | - | - | - | 20,115 | 20,115 | 20,115 |
| Miscellaneous | - | - | 180,565 | - | 180,565 | - | - | - | 180,565 |
| Mortgage Discounts | - | 620,055 | - | - | 620,055 | - | - | - | 620,055 |
| Occupancy | - | - | - | 227,608 | 227,608 | - | 6,402 | 6,402 | 234,010 |
| Professional Services | - | - | - | - | - | 950 | 46,805 | 47,755 | 47,755 |
| Restore Supplies | - | - | - | 91,189 | 91,189 | - | - | - | 91,189 |
| Telephone | 9,670 | - | - | - | 9,670 | - | 817 | 817 | 10,487 |
| Tithe to Habitat International | 50,916 | - | - | 31,156 | 82,072 | - | - | - | 82,072 |
| Training | 19,694 | - | - | - | 19,694 | - | - | - | 19,694 |
| TOTAL | <u>\$ 2,169,882</u> | <u>\$ 620,055</u> | <u>\$ 180,565</u> | <u>\$ 874,347</u> | <u>\$ 3,844,849</u> | <u>\$ 249,750</u> | <u>\$ 204,179</u> | <u>\$ 453,929</u> | <u>\$ 4,298,778</u> |