

Financial Statements

LOUDOUN HABITAT
FOR HUMANITY

June 30, 2018

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

Loudoun Habitat for Humanity (LHFH) is a nonprofit organization established in 1993. LHFH is an affiliate of Habitat for Humanity International, Inc., (HFHI), 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 for people everywhere. Although HFHI assists with information resources, training, publications and prayer support, LHFH is responsible for its own operations.

LHFH utilizes volunteer labor, donated materials and contributed funds to build and renovate homes in Loudoun County, Virginia. The homes are then sold for a subsidized price to pre-selected low income families. Families who purchase LHFH homes are selected based on need, ability to repay the zero percent mortgage and willingness to partner. Families put in 350 hours of "sweat equity" helping to build homes.

Program services include land acquisition, construction, family support, educational ministries and the discounts on mortgage originations. The cost of home building is charged to program services when the home is transferred to the homeowner.

OFFICERS AND BOARD OF DIRECTORS

OFFICERS

Allison Metzger, President
Joshua Kane, Vice President
Michael Scott, Secretary
Julie Short, Treasurer

BOARD OF DIRECTORS

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Mick Beckstrom	Allison Metzger
Christopher Cicotello	James E. Miller
Sally Crosen	Kathy Riley
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Joshua Kane	Michael Scott
Jennifer Tiffey Mahoney	Julie Short
John Maxwell	James Wehr

EXECUTIVE DIRECTOR

Therese Cashen

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Loudoun Habitat for Humanity
Leesburg, Virginia

We have audited the accompanying financial statements of Loudoun Habitat for Humanity (a nonprofit 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 Loudoun Habitat for Humanity 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of support, revenue, and expenses by activity on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.

Leesburg, Virginia
October 19, 2018

Mitchell & Co., P.C.

LOUDOUN HABITAT FOR HUMANITY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

Cash and cash equivalents	\$ 682,185
Mortgage escrow deposits held	1,574
Pledges and other accounts receivable	11,453
Due from Habitat for Humanity Virginia	50,415
Due from partner family on home purchase	217,081
Prepaid expenses	41,367
Security deposits	25,156
Non-interest bearing mortgage loans receivable	365,202
Discount on non-interest bearing mortgage loans	(214,934)
Re-Store inventory	75,443
Fixed assets (net of accumulated depreciation, \$59,280)	125,880
Land, house inventory, and construction in progress	370,294

Total assets

\$ 1,751,116

LIABILITIES & NET ASSETS

Liabilities

Accounts payable	\$ 72,158
Accrued expenses	46,579
Sales taxes payable	9,308
Mortgage escrow and home purchase deposits	3,574
NSP liability	287,105
CAM liability	36,672
Note payable	33,793

Total liabilities

489,189

Net Assets

Unrestricted

Undesignated	<u>532,092</u>
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Designated:

Client mortgages- net	150,268
Inventory	75,443
Fixed assets	125,880
Land and house inventory	370,294

721,885

Restricted

7,950

Total net assets

1,261,927

Total liabilities & net assets

\$ 1,751,116

See Notes to Financial Statements.

LOUDOUN HABITAT FOR HUMANITY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total All Funds
SUPPORT & REVENUE			
Contributions (including in-kind \$65,470)	\$ 317,427	\$ -	\$ 317,427
The ReStore receipts (net of COGS of \$12,508)	799,518	-	799,518
Loudoun County Virginia CDBG grant	-	500,000	500,000
Neighborhood Stabilization Program			
Habitat for Humanity Virginia	-	329,665	329,665
Transfer sale to homeowners	1,434,200	-	1,434,200
Fundraising programs (net of expenses of \$72,494)	121,955	-	121,955
Mortgage loan interest discount amortization	9,654	-	9,654
Mortgage loan discount recapture on sale	1,228,354	-	1,228,354
Interest income	1,768	-	1,768
Miscellaneous income	3,248	-	3,248
	<u>3,916,124</u>	<u>829,665</u>	<u>4,745,789</u>
Net assets released from restrictions:			
Satisfaction of usage restriction	831,715	(831,715)	-
Total support and revenue	<u>4,747,839</u>	<u>(2,050)</u>	<u>4,745,789</u>
EXPENSES			
Program services	3,324,432	-	3,324,432
The ReStore	780,773	-	780,773
Supportive services			
Management and general	147,145	-	147,145
Fundraising	100,095	-	100,095
Total expenses	<u>4,352,445</u>	<u>-</u>	<u>4,352,445</u>
Change in net assets	395,394	(2,050)	393,344
Net Assets, beginning of year	<u>858,583</u>	<u>10,000</u>	<u>868,583</u>
Net Assets, end of year	<u>\$ 1,253,977</u>	<u>\$ 7,950</u>	<u>\$ 1,261,927</u>

See Notes to Financial Statements.

LOUDOUN HABITAT FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	The ReStore	Supportive Services		Total
			Management & General	Fundraising	
Salaries	\$ 211,835	\$ 292,538	\$ 81,148	\$ 71,655	\$ 657,176
Employee benefits	12,932	22,947	185	-	36,064
Payroll taxes	15,913	22,235	11,404	897	50,449
Total salaries and payroll taxes	240,680	337,720	92,737	72,552	743,689
Accounting fees	15,038	4,676	7,414	-	27,128
Advertising fees	1,212	9,956	-	564	11,732
Automobile expense	4,262	12,989	-	-	17,251
Bank fees	35	8	172	384	599
Conferences, meetings, travel	1,920	134	-	1,273	3,327
Construction bond costs	3,693	-	-	-	3,693
Contract labor	-	4,893	-	-	4,893
Cost of homes transferred	1,385,608	-	-	-	1,385,608
Credit card fees	-	12,235	-	6,222	18,457
Depreciation	3,121	12,357	-	600	16,078
Discount on home sale	133,711	-	-	-	133,711
Discount on mortgage assignment/sales	518,413	-	-	-	518,413
Discount on mortgage financing	639,831	-	-	-	639,831
Donated inventory change	-	9,772	-	-	9,772
Equipment expense	-	4,556	-	366	4,922
Insurance	20,157	17,463	2,885	399	40,904
Interest expense	3,520	-	-	-	3,520
Landscaping services	2,026	-	-	-	2,026
Miscellaneous	6,561	807	3,253	498	11,119
Neighborhood stabilization program	224,630	-	-	-	224,630
Occupancy expenses	30,764	293,009	31,987	-	355,760
Partner family debt forgiven	12,215	-	-	-	12,215
Postage	392	28	156	98	674
Printing and publications	3,432	8,464	124	13,349	25,369
Professional fees	32,038	1,913	1,913	3,228	39,092
Supplies	4,308	8,668	1,143	444	14,563
SOSI fee and tithe to HFH International	23,000	-	-	-	23,000
Training and development	2,846	631	1,335	-	4,812
Utilities	4,347	39,574	3,726	107	47,754
Volunteer expenses	6,672	920	300	11	7,903
	3,083,752	443,053	54,408	27,543	3,608,756
Total expenses	\$ 3,324,432	\$ 780,773	\$ 147,145	\$ 100,095	\$ 4,352,445

See Notes to Financial Statements.

LOUDOUN HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities

Change in net assets	\$ 393,344
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	16,078
Home sales less discount on sale and mortgages issued	(1,075,867)
Mortgage loan discount amortization, recapture and financing	(598,178)
Cost of homes transferred	1,385,608
ReStore inventory	5,049
Discount on mortgage assignment/sale	518,413
Partner family debt forgiven	12,216
(Increase) decrease in assets:	
Accounts receivable	13,702
Due from Habitat for Humanity Virginia	(50,415)
Due from partner family on home sale	(217,081)
Prepaid and other assets	(5,140)
Increase (decrease) in liabilities:	
Accounts payable	2,013
Accrued expenses	6,460
Sales taxes payable	5,180
Neighborhood stabilization program funding obligation	287,105
CAM liability	36,672
Escrow deposits and other	1,139
Net cash provided by operating activities	<u>736,298</u>

Cash Flows From Investing Activities

Proceeds from mortgage loan assignment/sale	1,559,011
Mortgage payments received	25,674
Purchase of fixed assets	(4,463)
Purchase of land and property for development	(1,378,991)
Net cash (used in) investing activities	<u>201,231</u>

Cash Flows From Financing Activities

Bank line of credit (net)	(253,651)
Payments on note payable	(177,871)
Net (cash used) in financing activities	<u>(431,522)</u>
Increase in cash and cash equivalents	506,007

Cash and Cash Equivalents

Beginning of year	177,752
End of year	<u>\$ 683,759</u>

See Notes to Financial Statements.

LOUDOUN HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Loudoun Habitat for Humanity, (LHFH) is organized to provide simple, decent housing for Loudoun families in need. This is accomplished through programs services including land and property acquisition, construction, property renovation, family support and educational ministries. LHFH receives, maintains and accepts as assets of the corporation, property whether real, personal, or mixed to be held, administered and disposed of exclusively for the charitable purposes as stated in its articles of incorporation.

Non-operating activities include all non-cash activities relating to discounting contracts for debt mortgages receivable and debt.

In November 2010, LHFH established a management company, LHFH LLC to meet Loudoun County's requirement of ongoing maintenance of the common areas of LHFH developed communities without placing the burden on the partner families. LHFH is a member of the LLC and maintains control of the entity. As such, the results of the LLC are included in these financial statements of LHFH.

Significant Accounting Policies

The accounting and reporting policies of Loudoun Habitat for Humanity conform to generally accepted accounting principles and reporting practices appropriate for nonprofit and voluntary health and welfare organizations. The nature of business and significant accounting principles are summarized below:

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, 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 Assets: Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Plant Assets and Depreciation: Furniture and equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed on a straight-line basis over the estimated useful lives. Cost of major equipment additions are capitalized while normal repairs and maintenance are expensed as incurred.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization considers all financial instruments with a maturity of three months or less to be cash equivalents.

Restricted Assets - Cash Equivalents: Restricted cash includes escrow funds received by LHFH for property owner insurance and property taxes and specifically restricted donor designated donations.

LOUDOUN HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Accounts and Mortgages Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. All mortgages are due based on the note terms. Management believes all mortgage receivables are realizable through either collection or foreclosure proceeds if not collected.

Beginning in FYE 2014, LHFH started selling selective mortgages originated by LHFH to local banks. Any gain or loss resulting from such transactions will be recorded when the transaction is settled.

ReStore Inventory: Substantially all the items sold in the LHFH thrift store is donated to the organization. For year-end reporting, donated inventory items held for resale are recorded and valued based on subsequent sales. Throughout the year, donated inventory items are recorded upon sale and final realization of value.

Contributions: Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realized value.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: Loudoun Habitat for Humanity was granted exemption effective January 1, 1994 from federal income tax under the Section 501(c)(3) group exemption of Habitat for Humanity International, Inc. The Organization adopted the guidance under ASC Topic 740, *Income Taxes*. Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of the guidance. Income tax reporting years open for IRS audit include years ended 2015, 2016, 2017 and 2018.

Donated Time and Materials: Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial 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, are recorded at their fair values in the period received. Principally the capitalized donated time and materials relate specifically to construction trades during house construction.

A substantial number of unpaid volunteers have made significant contributions of their time in the Organization's administrative and operating activities. The value of this donated time is not reflected in these financial statements in as much as no objective basis is available to measure the value of such services.

LOUDOUN HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Significant Accounting Policies (Continued)

Construction in Process Inventory: LHFH's policy is to carry the direct costs incurred in the construction of homes including building materials, engineer and architect fees as construction in process inventory until the homes are transferred to the homeowners, at which time the costs are recognized. As a non-profit organization, LHFH does not attempt to profit from the sale of houses. Five homes were completed and sold to homeowners during the fiscal year ended June 30, 2018.

Revenue Recognition: Program grants and other deposits are reported as income as the income is earned or in the designated funding period. Funds received in advance of participation and for future periods are reported as unearned or deferred.

Home Sales: New home construction sales to homeowners are financed by LHFH or independent home mortgage lender and are recorded when title is transferred. Neighborhood Stabilization Program (NSP) home sales are financed by a variety of sources including LHFH, 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, LHFH is required to return a percentage of program receipts to the NSP program. LHFH 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. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgage. This discount is amortized using straight-line method over the lives of the mortgage.

In addition to mortgages receivable included in the statement of financial position, the Organization also holds non-interest bearing second mortgages. These mortgages originate at the same time as the first mortgage and reflect the difference between the sales price and the fair market value of the house. These mortgages are legal documents executed for the protection against the homeowners who may sell their house for a profit before the mortgage is repaid and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage.

These mortgages are not included on the statement of financial position base on Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Contingencies*, which relates to the accounting concept of conservatism. Since these mortgages are contingent receivables, they are not recorded on the books because there is a significant uncertainty that they will be exercised and collected.

Note 2. Tithe

LHFH voluntarily tithes a portion of its unrestricted revenue to Habitat for Humanity International, Inc. to be used for home building outside of the United States. For 2018, LHFH tithed and contributed \$23,000.

Note 3. Option to Repurchase

LHFH retains the option to repurchase houses constructed and sold. The option period extends for 20 years at a price of the lower of either fair market value or the original mortgage plus 3% of the original mortgage times the number of years paid on the mortgage plus 50% of capital improvements. Beginning March 2012, the option period will extend for the life of the first mortgage loan.

LOUDOUN HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Cash and Cash Equivalents

Composition of cash and cash equivalents at June 30, 2018, is as follows:

Description	Amount
Petty cash	\$ 600
John Marshall Bank	674,284
Access National business NOW	7,973
Wells Fargo checking	172
Capital One checking	730
	<u>\$ 683,759</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2018, John Marshall Bank balances exceeded the FDIC insurance coverage by \$458,531.

Note 5. Land, House Inventory, and Construction in Progress Inventory

Inventory consists of land purchased and donated to LHFH, completed house and lot projects and house construction in progress costs. Inventory is carried at cost and is relieved on a specific identification basis (houses). Inventory at June 30, 2018 is detailed as follows:

Description	6/30/2017	Additions	Sales	6/30/2018
Land	\$ 259,144	\$ 5,360	\$ (129,694)	\$ 134,810
Property	2,600	1,145,587	(986,805)	161,382
Construction in progress	115,166	225,774	(266,839)	74,102
	<u>\$ 376,910</u>	<u>\$ 1,376,721</u>	<u>\$ (1,383,338)</u>	<u>\$ 370,294</u>

Note 6. Non-Interest Bearing Mortgage Loans Receivable and Discounts

Home purchase mortgage loans and loan discounts activity for FYE 2018 consist of the following:

Description	Market % Rate	Rate Loan Discount	Net
Balances at June 30, 2017	\$ 1,420,342	\$ (828,804)	\$ 591,538
Home sale mortgage loans	1,075,867	(639,831)	436,036
Mortgage loan assignment/sales	(2,077,425)	1,228,354	(849,071)
Home sale buy back from partner family	(27,908)	15,694	(12,214)
Mortgage principal pay downs and amortization	(25,674)	9,653	(16,021)
June 30, 2018	<u>\$ 365,202</u>	<u>\$ (214,934)</u>	<u>\$ 150,268</u>

The discount rates for the mortgage loans at market percentage rates are imputed at 6% and 7%.

LOUDOUN HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Non-Interest Bearing Mortgage Loans Receivable and Discounts (Continued)

During FYE 2018, Sandy Spring Bank purchased \$1,302,703 and John Marshall Bank purchased \$775,678 of discounted first-lien mortgages or deeds of trust originated by LHFH. LHFH received \$1,559,968 in cash proceeds resulting in a recognized net discount on sale of \$518,413. The mortgage loan sale contract contained a repurchase buy back provision in the case of default. It is estimated that the risk of default involved with these mortgage sales is immaterial, and no provision has been recorded for the potential default repayment to the bank on the outstanding mortgages held by Sandy Springs Bank and John Marshall Bank.

A summary of the LHFH originated loans sold during FYE 2018 is as follows:

Mortgage Loan Activity	June 30, 2018	
	Net Book Value	Gross Face Value
Principal amount of mortgages sold	\$ 2,077,425	\$ 2,077,425
LHFH discount to a 0% rate	(1,228,354)	-
Net book value of mortgages	\$ 849,071	\$ 2,077,425
Proceeds on assignment/sale	(1,559,012)	(1,559,012)
(Gain)/loss	\$ (709,941)	\$ 518,413

Note 7. Note Payable

Notes payable for financing new construction and rehabilitation of housing is summarized as follows:

Description	Amount
\$462,985 Flex Funds line of credit payable to Virginia Housing Development Authority, draws dated March 4 and 25, 2008, January 9, 2009, and May 18, 2012, interest at 3%, principal and interest due monthly of \$3,199, self amortizing over 15 years.	\$ 33,793

Annual maturity is as follows: 2019, \$3,106; 2020, \$3,200; 2021, \$3,297; 2022, \$3,398; 2023, \$3,501; thereafter, \$17,291.

Note 8. Bank Line of Credit

LHFH has secured a \$500,000 bank line of credit facility with John Marshall Bank. The terms include interest rate at 5.25% due monthly and the line repayment is due upon demand. At June 30, 2018 there was no outstanding balance on the line of credit.

LOUDOUN HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Temporarily Restricted Assets

A summary of temporarily restricted funds is as follows:

Restricted use	Unspent Balance		Used for Restricted Purpose	Unspent Balance	
	June 30, 2017	Additions		June 30, 2018	
Elder Care Home Repairs	\$ 5,000	\$ -	\$ -	\$ 5,000	
Home Repairs	5,000	-	(2,050)	2,950	
Affordable housing projects	-	829,965	(829,965)	-	
	<u>\$ 10,000</u>	<u>\$ 829,965</u>	<u>\$ (832,015)</u>	<u>\$ 7,950</u>	

Note 10. Operating Leases

ReStore: LHFH leases retail store space in Leesburg, Virginia for its ReStore sales operation. Lease terms include a term of 47 months, February 2014 to December 2018, monthly CAM charges and a 3% annual rental increase. The lease was modified March 2018 to extend the lease to March 2024. Currently monthly rent including estimated monthly CAM charges is \$26,272. Total 2018 rental cost for this facility was \$293,009.

Office: LHFH leases its administrative offices in the shopping center location in Leesburg, Virginia as the ReStore. Terms include a lease period of 60 months, January 2015 to December 2019, monthly CAM charges and a 3% annual rental increase. The lease was modified March 2018 to extend the lease to March 2024. Current monthly rent including estimated monthly CAM charges is \$5,661. Total 2018 occupancy costs for this facility was \$62,751.

Future minimum rental commitment is as follows:

Fiscal year-end June 30,	ReStore	Office
2019	57,033	276,285
2020	58,744	284,574
2021	60,506	293,111
2022	62,321	301,905
2023	64,191	310,962
Thereafter	49,219	238,428
	<u>\$ 352,014</u>	<u>\$ 1,705,265</u>

Note 11. Fair Value of Financial Instruments

Financial instruments of cash and cash equivalents, accounts receivable, mortgage loans receivable, net of discount, accounts payable, accrued expenses and notes payable. The recorded values of cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The carrying value of mortgage loans receivable, net of discount and notes payable approximate fair value based on current borrowing rates for loans with similar maturities.

LOUDOUN HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

Note 12. Related Party Transactions

For 2017, LHFH purchased the following services from related party LHFH board members:

Vendor	Services	Amount
Pack Rat Hauling	Hauling/Casual labor	4,880
The Tire Shop	Vehicle services	1,469
Wells Fargo Bank	Surety bond	1,760
John Marshall Bank	Interest and fees	1,198
		<u>\$ 9,307</u>

Note 13. Functional Allocation of Expenses

The cost of providing the various program services and other activities has been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supportive services.

Note 14. Pension Plan

Effective January 1, 2013 LHFH established a 403(b) retirement pension plan and participation started in August 2014. Eligible employees can elect to defer and contribute their wages into this retirement plan with LHFH matching employee contributions at 3% of compensation up to \$1,500. The total employer contribution for FYE 2018 amounted to \$8,340.

Note 15. In-Kind Contributions

In-kind contributions as of June 30, 2018 consist of the following donations:

Donated Item/Service	Amount
Donated construction in progress	\$ 39,609
Rent	21,207
Special events support	1,116
Auditing professional fees	3,538
	<u>\$ 65,470</u>

Note 16. Subsequent Events

The Organization has evaluated events and transactions subsequent to June 30, 2018 through October 19, 2018, the date these financial statements were available to be issued, and determined that there were no material subsequent events requiring disclosure in the financial statements for the year ended June 30, 2018.

LOUDOUN HABITAT FOR HUMANITY

**SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES BY ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2018**

	Program & Supportive Services	Home Builds	LHFH Mortgage Financing	Mortgage Sales	Re-Store	Total
SUPPORT & REVENUE						
Contributions (including in-kind \$65,470)	\$ 299,847	\$ -	\$ -	\$ -	\$ 17,580	\$ 317,427
The ReStore receipts (net of COGS of \$12,508)	-	-	-	-	799,518	799,518
Community Development Block Grant	-	500,000	-	-	-	500,000
Neighborhood stabilization program	-	329,665	-	-	-	329,665
Transfer sale to homeowners	-	1,434,200	-	-	-	1,434,200
Fundraising programs (net of expenses of \$72,494)	121,955	-	-	-	-	121,955
Mortgage loan discount amortization	-	-	9,654	-	-	9,654
Mortgage loan discount recapture	-	-	-	1,228,354	-	1,228,354
Interest income	1,768	-	-	-	-	1,768
Miscellaneous income	3,248	-	-	-	-	3,248
Total support and revenue	426,818	2,263,865	9,654	1,228,354	817,098	4,745,789
EXPENSES						
Salaries and payroll taxes	332,788	45,230	14,874	13,077	337,720	743,689
Accounting fees	22,452	-	-	-	4,676	27,128
Advertising fees	1,776	-	-	-	9,956	11,732
Automobile expense	-	4,262	-	-	12,989	17,251
Bank fees	591	-	-	-	8	599
Conference, meetings, travel	3,193	-	-	-	134	3,327
Construction bond costs	-	3,693	-	-	-	3,693
Contract labor	-	-	-	-	4,893	4,893
Cost of homes transferred	-	1,385,608	-	-	-	1,385,608
Credit card fees	6,222	-	-	-	12,235	18,457
Depreciation	3,721	-	-	-	12,357	16,078
Discount on home sales	-	133,711	-	-	-	133,711
Discount on mortgage financing	-	-	639,831	-	-	639,831
Donated inventory change	-	-	-	-	9,772	9,772
Equipment expense	366	-	-	-	4,556	4,922
Insurance	16,433	7,008	-	-	17,463	40,904
Interest expense	-	3,520	-	-	-	3,520
Landscaping services	2,026	-	-	-	-	2,026
Loss on mortgage sales	-	-	-	518,413	-	518,413
Miscellaneous	10,312	-	-	-	807	11,119
Neighborhood stabilization program	-	224,630	-	-	-	224,630
Occupancy expenses	62,751	-	-	-	293,009	355,760
Partner family debt forgiven	-	-	12,215	-	-	12,215
Postage	646	-	-	-	28	674
Printing and publications	16,905	-	-	-	8,464	25,369
Professional fees	12,179	-	-	25,000	1,913	39,092
Supplies	5,895	-	-	-	8,668	14,563
SOSI fee to HFH International	23,000	-	-	-	-	23,000
Training and development	4,181	-	-	-	631	4,812
Utilities	8,180	-	-	-	39,574	47,754
Volunteer expenses	311	6,672	-	-	920	7,903
Total expenses	533,928	1,814,334	666,920	556,490	780,773	4,352,445
Change in net assets	\$ (107,110)	\$ 449,531	\$ (657,266)	\$ 671,864	\$ 36,325	\$ 393,344
2017 Change in net assets	\$ (125,931)	\$ 331,946	\$ (465,919)	\$ 120,928	\$ 11,122	\$ (127,854)