

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016
WITH
INDEPENDENT AUDITORS' REPORT

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity for Rhode Island, South County, Inc.
Charlestown, Rhode Island

We have audited the accompanying statements of financial position of Habitat for Humanity for Rhode Island, South County, Inc. (a nonprofit organization) as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and the related notes for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards 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 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 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

reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence 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 for Rhode Island, South 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses on pages 17 and 18 are presented for purposes of additional analysis, and are not a required part of the financial statements.

The above described supplemental 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. Such 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 above described supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Golden, Gormly & Company, Ltd.

Golden, Gormly & Company, Ltd.

September 20, 2017

HABITAT FOR HUMANITY FOR RHODE ISLAND, SOUTH COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION

--A S S E T S--		
	JUNE 30, 2017	JUNE 30, 2016
CURRENT ASSETS:		
Cash	\$ 376,116	\$ 404,578
Restricted Cash - Escrow Funds	51,665	52,131
Current Portion of Mortgages Receivable	3,754	3,580
Current Portion of Pledges Receivable, Net	17,121	27,099
Receivable - Other	8,700	8,700
Completed Homes Available for Sale	208,362	188,289
Construction in Progress	165,145	183,223
Prepaid Expenses	5,023	20,246
	<u>835,886</u>	<u>887,846</u>
PROPERTY AND EQUIPMENT:		
Building & Land Permanently Restricted	120,916	120,916
Land	57,936	57,936
Building	487,288	487,288
Building Tools & Equipment	8,013	8,013
Warehouse/Trailer	6,471	6,471
Office Equipment	7,626	7,626
Vehicles	67,300	55,735
	<u>755,550</u>	<u>743,985</u>
LESS: Accumulated Depreciation	<u>(213,991)</u>	<u>(194,681)</u>
	<u>541,559</u>	<u>549,304</u>
OTHER ASSETS:		
Mortgages Receivable	36,210	40,297
Pledges Receivable, Net	25,083	20,695
Land Leased To Homeowners	1,952,359	1,852,295
Property Held for Development	87,470	122,853
Financing Costs, Net of Accumulated Amortization of \$1,138 in 2017 and 2016	1,280	1,280
	<u>2,102,402</u>	<u>2,037,420</u>
TOTAL ASSETS	\$ 3,479,847	\$ 3,474,570

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

HABITAT FOR HUMANITY FOR RHODE ISLAND, SOUTH COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION

--LIABILITIES AND NET ASSETS--		
	JUNE 30, 2017	JUNE 30, 2016
CURRENT LIABILITIES:		
Accounts Payable	\$ 21,525	\$ 13,608
Accrued Payroll and Payroll Taxes Payable	53,685	43,797
Escrow Funds Payable	51,665	52,131
Current Maturities of Long-Term Debt	9,906	19,436
Total Current Liabilities	136,781	128,972
LONG-TERM DEBT	134,123	143,924
Total Liabilities	270,904	272,896
NET ASSETS:		
Unrestricted	2,946,129	2,971,254
Temporarily Restricted	141,898	109,504
Permanently Restricted	120,916	120,916
Total Net Assets	3,208,943	3,201,674
TOTAL LIABILITIES AND NET ASSETS	\$ 3,479,847	\$ 3,474,570

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

HABITAT FOR HUMANITY FOR RHODE ISLAND, SOUTH COUNTY, INC.
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	JUNE 30, 2017			JUNE 30, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE								
Donations and Gifts	\$ 172,628	\$ 0	\$ 0	\$ 172,628	\$ 209,461	\$ 0	\$ 0	\$ 209,461
Grant Income	153,068	0	0	153,068	148,057	0	0	148,057
Sales of Houses and Hope Rebuilders	350,000	0	0	350,000	330,000	0	0	330,000
Fundraising, Leasing and Other	70,596	67,573	0	138,169	91,941	34,195	0	126,136
ReStore and Merchandise Sales	475,572	0	0	475,572	454,246	0	0	454,246
Interest Income	2,361	0	0	2,361	3,469	0	0	3,469
Miscellaneous Income	3,007	0	0	3,007	3,395	0	0	3,395
Net Assets Released From Restrictions	35,179	(35,179)	0	0	71,818	(71,818)	0	0
Total Revenue	<u>1,262,411</u>	<u>32,394</u>	<u>0</u>	<u>1,294,805</u>	<u>1,312,387</u>	<u>(37,623)</u>	<u>0</u>	<u>1,274,764</u>
EXPENSES								
Program Services	1,065,032	0	0	1,065,032	953,859	0	0	953,859
Support Services	222,504	0	0	222,504	205,559	0	0	205,559
Total Expenses	<u>1,287,536</u>	<u>0</u>	<u>0</u>	<u>1,287,536</u>	<u>1,159,418</u>	<u>0</u>	<u>0</u>	<u>1,159,418</u>
CHANGE IN NET ASSETS	<u>(25,125)</u>	<u>32,394</u>	<u>0</u>	<u>7,269</u>	<u>152,969</u>	<u>(37,623)</u>	<u>0</u>	<u>115,346</u>
NET ASSETS - BEGINNING OF YEAR	<u>2,971,254</u>	<u>109,504</u>	<u>120,916</u>	<u>3,201,674</u>	<u>2,818,285</u>	<u>147,127</u>	<u>120,916</u>	<u>3,086,328</u>
NET ASSETS - END OF YEAR	<u>\$ 2,946,129</u>	<u>\$ 141,898</u>	<u>\$ 120,916</u>	<u>\$ 3,208,943</u>	<u>\$ 2,971,254</u>	<u>\$ 109,504</u>	<u>\$ 120,916</u>	<u>\$ 3,201,674</u>

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

HABITAT FOR HUMANITY FOR RHODE ISLAND, SOUTH COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>JUNE 30,</u> 2017	<u>JUNE 30,</u> 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 7,269	\$ 115,346
Non-Cash Income/Expenses Included in Change in Net Assets:		
Depreciation and Amortization	19,310	16,890
Changes in Operating Assets and Liabilities:		
Construction in Progress	18,078	(98,289)
Pledges Receivable	5,590	(17,235)
Receivable - Other	0	22,846
Prepaid Expenses	15,223	(13,201)
Land Leased To Homeowners	(100,064)	(33,664)
Property Held for Development	35,383	24,694
Homes Available For Sale	(20,073)	(42,568)
Accounts Payable	7,917	717
Deposits, Escrow and Other Payables	9,422	6,838
Net Cash Used By Operating Activities	<u>(1,945)</u>	<u>(17,626)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	<u>(11,565)</u>	<u>(10,398)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgages Receivable	3,913	13,004
Principal Payments on Long-Term Debt	<u>(19,331)</u>	<u>(14,710)</u>
Net Cash Used By Financing Activities	<u>(15,418)</u>	<u>(1,706)</u>
DECREASE IN CASH	(28,928)	(29,730)
CASH - BEGINNING OF YEAR	<u>456,709</u>	<u>486,439</u>
CASH - END OF YEAR	<u>\$ 427,781</u>	<u>\$ 456,709</u>

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

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Habitat for Humanity for Rhode Island, South County, Inc. (SCHH) is a non-profit, Rhode Island corporation that sponsors specific projects in habitat development within the South County area of Rhode Island. The mission of SCHH is to contribute to the elimination of substandard housing by creating decent homes in partnership with people in need.

SCHH's Program Services include its home construction, rehab and homeowner assistance programs. In addition, SCHH also operates a retail thrift operation (d/b/a the ReStore). The ReStore specializes in selling surplus new and used building and home improvement materials, appliances and furniture to the public. All net proceeds from the operation of the ReStore help support and enhance SCHH's non-profit mission-related activities.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value. Additions, improvements and expenditures for repairs and maintenance that significantly add to the productivity or extend the economic life of the assets are capitalized. Other expenditures for repairs and maintenance are charged to operations as incurred. When assets are retired or sold, the assets and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income. SCHH depreciates property and equipment using the straight-line method over the estimated useful lives of the respective assets.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year financial statements in order for them to be in conformity with the current year presentation.

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

SCHH qualifies as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code. SCHH is included as a subordinate under the group exemption for Habitat for Humanity International, Inc.

SCHH is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. SCHH is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Generally, SCHH's tax returns remain open for three years for federal income tax examinations. Furthermore, SCHH has determined it does not have any uncertain income tax positions that materially impact the financial statements or related disclosures.

PROPERTY HELD FOR DEVELOPMENT/LAND LEASED TO HOMEOWNERS

Property held for development consists of all property either donated or purchased by SCHH to be used for new construction of housing.

Land leased to homeowners is the value of land either donated or purchased by SCHH that has been developed and the home has been sold to a qualified homeowner.

Donated property is recorded at fair market value as determined by an appraisal at the date of the donation. Purchased property is recorded at cost.

FINANCIAL STATEMENT PRESENTATION

SCHH is required to report 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. In addition, SCHH is required to present a statement of cash flows.

RESTORE

SCHH does not recognize or record the fair market value of donated items to the ReStore at the time of the donation because SCHH does not have an objective measurement basis for determining fair value. Instead, it recognizes and records the value of the item upon the actual corresponding sale of the item. These sales revenues are reported in ReStore and Merchandise Sales on the Statements of Activities and Changes in Net Assets.

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

DONATED SERVICES

Donated services are recognized as contributions in accordance with accounting standards at their fair market value, if the services: 1) create or enhance nonfinancial assets; or 2) require specialized skills and are performed by people with those skills or would otherwise be purchased by SCHH. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements because they do not qualify for recording under the guidelines of accounting standards. However, a substantial number of volunteers have made significant contributions of their time to SCHH's ReStore, construction projects, fundraising events and daily activities.

DONATED MATERIALS

Donated building materials are recorded at fair market value when received and are included in Donations and Gifts on the Statement of activities and changes in net assets. Total In-Kind contributions received and recognized for the years ended June 30, 2017 and 2016 are \$10,023 and \$28,630, respectively.

CONTRIBUTIONS

SCHH records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

PLEDGES RECEIVABLE

Unconditional pledges receivable are recognized as revenues 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 was used. The discount rate used on long-term pledges receivable for the years ended June 30, 2017 and 2016 was 3%. There were \$11,210 and \$3,000 of pledges receivable written off during the year ended June 30, 2017 and 2016, respectively.

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

SIMPLE RETIREMENT PLAN

SCHH has a Simple Retirement Plan eligible to all qualifying employees. SCHH contributed a matching contribution up to 4% of salary for the years ended June 30, 2017 and 2016.

For the years ended June 30, 2017 and 2016, the employer contribution was \$7,766 and \$6,583, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

Certain direct, indirect and administrative expenses are incurred which benefit more than one program; therefore, SCHH allocates these expenses accordingly using time charged by employees, square footage and various other methods.

ADVERTISING AND MARKETING COSTS

SCHH expenses advertising and marketing costs as they are incurred. Advertising and marketing expense for the years ended June 30, 2017 and 2016 totaled \$4,047 and \$5,527, respectively.

CASH AND CASH EQUIVALENTS

SCHH considers investments with maturities of three months or less to be cash equivalents.

RESTRICTED CASH

Restricted Cash is comprised of cash escrow funds received from homeowners that are held in a separate bank account for insurance, property taxes and maintenance. As of June 30, 2017 and 2016, these funds totaled \$51,665 and \$52,131, respectively. A corresponding liability is included in the accompanying statements of financial position.

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

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 – MORTGAGES RECEIVABLE

SCHH currently holds no mortgages on any of its previously constructed properties as of June 30, 2017 and 2016.

During the year ended June 30, 2015, SCHH received donated real estate and resold it during the same year (See Note 1). SCHH issued a mortgage promissory note on this property dated December 5, 2014, with interest stated at 4.75%. This loan was recorded at amortized cost and stated at the unpaid principal balance. Interest only payments are due on the note through September 1, 2015 and then monthly installments of principal and interest of \$492.78 are due. The note matures on September 1, 2019 at which time any unpaid principal will be due. As of June 30, 2017 and 2016 this balance totaled \$39,964 and \$43,877 and represents the total balance of Mortgages Receivable, respectively.

The following are maturities for the above mortgage receivable for each of the next three years and in the aggregate:

Year Ended <u>June 30,</u>	<u>Amount</u>
2018	\$ 3,754
2019	4,286
2020	<u>31,924</u>
Total	<u>\$ 39,964</u>

As of June 30, 2017 management estimates that the carrying value of this mortgage promissory note approximates fair value.

SCHH has not established an allowance for doubtful accounts as it can reclaim houses through foreclosure in the event that a loan is deemed uncollectible. Management believes any reclaimed house can be resold at or above the amount of unpaid loan balance plus any associated costs to sell the home. Management has determined all mortgages receivable are collectible as of June 30, 2017 and 2016. Accordingly, no allowance for uncollectible accounts has been established.

At times, SCHH sells these mortgages to RI Housing, usually at a discount of 30% of the face value of the mortgage at the time of sale. This discount rate was increased to 32% during the year ended June 30, 2017. As a result, these amounts are reflected in the Discount on Sale of Mortgages on the Schedule of Functional Expenses.

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 – CONSTRUCTION IN PROGRESS

Construction in progress represents costs incurred on uncompleted construction projects as of the date of the financial statement.

NOTE 4 – NOTE RECEIVABLE – OTHER

This balance was comprised of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Donated Gift Cards Balance	\$ 8,700	\$ 8,700

NOTE 5 – PLEDGES RECEIVABLE

SCHH has raised monies for its operations through various pledge drives. These promises to give are unconditional. The following are maturities of the pledges receivable for each of the next five years and in the aggregate:

Year Ended <u>June 30,</u>	Amount
2018	\$ 18,405
2019	10,136
2020	8,716
2021	6,696
2022	<u>1,033</u>
Total	\$ <u>44,986</u>

Pledges are recorded at present value as follows as of June 30, 2017:

Pledges Receivable	\$ <u>44,986</u>
Unamortized Discounts – Current	(1,284)
Unamortized Discounts – Long-Term	<u>(1,498)</u>
Total Unamortized Discounts	<u>(2,782)</u>
Pledges Receivable, Net	\$ <u>42,204</u>

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 – PLEDGES RECEIVABLE (CONTINUED)

Pledges are recorded at present value as follows as of June 30, 2016:

Pledges Receivable	\$ <u>50,627</u>
Unamortized Discounts – Current	(1,454)
Unamortized Discounts – Long-Term	<u>(1,379)</u>
Total Unamortized Discounts	<u>(2,833)</u>
Pledges Receivable, Net	\$ <u>47,794</u>

NOTE 6 – HOMES AVAILABLE FOR SALE

This amount represents the building cost of homes that have been completed and that are currently held for sale by SCHH to qualified applicants.

NOTE 7 – PROPERTY PERMANENTLY RESTRICTED

The town of South Kingstown transferred property to SCHH on March 29, 1999 for \$1 under the condition that the property be renovated and used to provide tenancy for a developmentally disabled person or persons. SCHH has converted this property into rental property pursuant to the provisions of R.I.G.L. s44-9-18 as set forth by the Town of South Kingstown.

NOTE 8 – LONG-TERM DEBT

Following is a summary of long-term debt:	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Mortgage payable to bank in monthly installments of \$1,398.74 with interest at 4.93%; due September 1, 2019; secured by real estate.	144,029	153,360
Mortgage payable to RIH; with no specified due date with interest at 3%; secured by real estate.	<u>0</u>	<u>10,000</u>
	144,029	163,360
Less: Current Maturities Included in Current Liabilities	<u>9,906</u>	<u>19,436</u>
	<u>\$ 134,123</u>	<u>\$ 143,924</u>

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 – LONG-TERM DEBT (CONTINUED)

The following are maturities of long-term debt for each of the next three years and in the aggregate:

Year Ended	
<u>June 30,</u>	
2018	\$ 9,906
2019	10,406
2020	<u>123,717</u>
Total	\$ <u>144,029</u>

NOTE 9 – LINE OF CREDIT

SCHH has a line of credit with a local bank in the amount of \$200,000. The outstanding balance drawn on the line at June 30, 2017 and 2016 was \$0. Interest is stated at 1% above the bank's prime rate. The line of credit is unsecured. The bank's prime rate at June 30, 2017 and 2016 was 4.25% and 3.50%, respectively.

NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest Paid	\$ 7,727	\$ 8,090

NOTE 11 – ENDOWMENT FUND

An endowment fund with RI Foundation was established for SCHH. These funds are maintained by RI Foundation for the benefit of SCHH. SCHH does not maintain or exercise control over the distribution of these funds and as such, have not been included in SCHH's cash or cash equivalents balance as of June 30, 2017 and 2016.

The value of the endowment fund as of June 30, 2017 and 2016 was \$46,147 and \$40,494, respectively.

NOTE 12 – RELATED PARTY

SCHH remits a portion of its revenues as a tithe to Habitat for Humanity International, Inc. For the years ended June 30, 2017 and 2016, SCHH remitted \$48,000 and \$45,000, respectively.

On June 30, 2016 SCHH remitted \$15,000 to Habitat for Humanity, International as a tithe for the year ended June 30, 2017. This amount was included in Prepaid Expenses as of June 30, 2016.

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 12 – RELATED PARTY (CONTINUED)

Habitat for Humanity International, Inc. now requires an annual affiliate fee to be paid in order for SCHH to maintain its status as an affiliate in good standing. The fee totaled \$7,500 for the years ended June 30, 2017 and 2016.

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject SCHH to a concentration in credit risk consist principally of cash in the bank in excess of FDIC limits. As of June 30, 2017, SCHH had no amounts that exceeded FDIC insurance limits at high credit quality financial institutions.

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Grants and Donations	\$ 90,011	\$ 52,027
West Bay Collaborative	9,683	9,683
Pledges	<u>42,204</u>	<u>47,794</u>
Total	<u>\$ 141,898</u>	<u>\$ 109,504</u>

NOTE 15 – FAIR VALUE MEASUREMENTS

SCHH applies generally accepted accounting principles for fair value measurements of assets that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on independent quoted market prices. GAAP establishes 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 or liabilities (Level 1 measurements) and the lowest priority to measurements involving unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that SCHH has the ability to access at the measurement date.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 15 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of SCHH's assets included on the Statement of Financial Position measured at fair value using level 2 inputs as determined by an independent real estate appraisal as of June 30, 2017 and 2016 on a non-recurring basis:

	<u>Level 2</u>
Property Held for Development	\$ 285,000

NOTE 16 – SUBSEQUENT EVENTS

On August 3, 2017, SCHH sold one of its properties for \$120,000.

SCHH has evaluated subsequent events through September 20, 2017, which represents the date the financial statements were available to be issued.

HABITAT FOR HUMANITY FOR RHODE ISLAND, SOUTH COUNTY, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2017

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Home Construction and Repairs	ReStore	Total	Fundraising	Management and General	Total	
Payroll	\$ 126,893	\$ 157,881	\$ 284,774	\$ 39,813	\$ 78,153	\$ 117,966	\$ 402,740
Payroll Taxes	10,620	13,214	23,834	3,332	6,541	9,873	33,707
Benefits	21,923	27,277	49,200	6,879	13,502	20,381	69,581
Home Construction Costs	373,225	0	373,225	0	0	0	373,225
Discount on Sale of Mortgages	110,880	0	110,880	0	0	0	110,880
Rent Expense	9,600	0	9,600	0	0	0	9,600
Workers Compensation	3,818	4,750	8,568	1,198	2,351	3,549	12,117
Insurance	12,359	4,523	16,882	0	9,547	9,547	26,429
Meetings and Committee Expense	810	0	810	0	1,015	1,015	1,825
Utilities	367	8,589	8,956	0	2,863	2,863	11,819
Repairs and Maintenance	9,909	11,423	21,332	0	3,820	3,820	25,152
Fundraising and Publicity	0	4,047	4,047	12,907	0	12,907	16,954
Volunteer and Program Expense	5,381	7,153	12,534	0	0	0	12,534
National Affiliate Contribution	55,500	3,600	59,100	0	0	0	59,100
Property Taxes	3,856	2,580	6,436	0	860	860	7,296
Legal and Professional	2,389	857	3,246	216	12,874	13,090	16,336
Office and Supplies Expense	0	17,271	17,271	0	10,424	10,424	27,695
Dues and Subscriptions	0	0	0	0	3,660	3,660	3,660
Bank Service Charges	0	9,620	9,620	10	25	35	9,655
Training Expense	1,154	0	1,154	0	1,532	1,532	2,686
Postage and Freight	0	0	0	0	1,802	1,802	1,802
Telephone	1,542	1,542	3,084	617	2,468	3,085	6,169
Travel and Vehicle Expense	7,929	11,544	19,473	0	64	64	19,537
Interest Expense	0	5,795	5,795	0	1,932	1,932	7,727
Depreciation and Amortization	1,015	14,196	15,211	0	4,099	4,099	19,310
Total	\$ 759,170	\$ 305,862	\$ 1,065,032	\$ 64,972	\$ 157,532	\$ 222,504	\$ 1,287,536

HABITAT FOR HUMANITY FOR RHODE ISLAND, SOUTH COUNTY, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES			Total Expenses
	Home Construction and Repairs	ReStore	Total	Fundraising	Management and General	Total	
Payroll	\$ 115,714	\$ 130,731	\$ 246,445	\$ 39,814	\$ 72,926	\$ 112,740	\$ 359,185
Payroll Taxes	10,155	11,473	21,628	3,494	6,400	9,894	31,522
Benefits	16,436	18,568	35,004	5,655	10,358	16,013	51,017
Home Construction Costs	351,415	0	351,415	0	0	0	351,415
Discount on Sale of Mortgages	98,010	0	98,010	0	0	0	98,010
Rent Expense	8,800	0	8,800	0	0	0	8,800
Workers Compensation	2,488	2,811	5,299	856	1,568	2,424	7,723
Insurance	10,462	3,859	14,321	0	10,178	10,178	24,499
Meetings and Committee Expense	2,803	577	3,380	0	1,142	1,142	4,522
Utilities	837	7,692	8,529	0	2,564	2,564	11,093
Repairs and Maintenance	3,037	9,784	12,821	0	2,746	2,746	15,567
Fundraising and Publicity	0	5,527	5,527	11,423	0	11,423	16,950
Volunteer and Program Expense	4,078	5,699	9,777	0	0	0	9,777
National Affiliate Contribution	52,500	0	52,500	0	0	0	52,500
Property Taxes	2,769	3,389	6,158	0	1,130	1,130	7,288
Legal and Professional	1,810	672	2,482	205	11,875	12,080	14,562
Office and Supplies Expense	213	6,528	6,741	0	11,715	11,715	18,456
Dues and Subscriptions	1,629	0	1,629	0	1,402	1,402	3,031
Bank Service Charges	0	8,117	8,117	0	171	171	8,288
Training Expense	4,003	877	4,880	0	40	40	4,920
Postage and Freight	0	0	0	0	2,491	2,491	2,491
Telephone	1,313	1,313	2,626	525	2,099	2,624	5,250
Travel and Vehicle Expense	8,361	19,109	27,470	0	102	102	27,572
Interest Expense	0	6,067	6,067	0	2,023	2,023	8,090
Depreciation and Amortization	2,288	11,945	14,233	0	2,657	2,657	16,890
Total	\$ 699,121	\$ 254,738	\$ 953,859	\$ 61,972	\$ 143,587	\$ 205,559	\$ 1,159,418