<table>
<thead>
<tr>
<th>Section</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditors’ Report</td>
<td>1</td>
</tr>
<tr>
<td>Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Statements of Financial Position</td>
<td>2</td>
</tr>
<tr>
<td>Statements of Activities</td>
<td>3</td>
</tr>
<tr>
<td>Statements of Functional Expenses</td>
<td>4 - 5</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>7 - 12</td>
</tr>
</tbody>
</table>
Independent Auditors’ Report

To the Board of Directors
Habitat for Humanity of Monroe County, Inc.
Bloomington, Indiana

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Monroe County, Inc. as of June 30, 2018 and 2017, 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.

November 9, 2018
Indianapolis, Indiana
### HABITAT FOR HUMANITY OF MONROE COUNTY, INC.

**Statements of Financial Position**

**June 30, 2018 and 2017**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$473,075</td>
<td>$265,856</td>
</tr>
<tr>
<td>Homes for sale or under construction</td>
<td>377,818</td>
<td>590,657</td>
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<tr>
<td>Other assets</td>
<td>19,144</td>
<td>19,373</td>
</tr>
<tr>
<td>Investments</td>
<td>83,606</td>
<td>67,713</td>
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<tr>
<td>Land held for development</td>
<td>1,103,745</td>
<td>1,176,435</td>
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<tr>
<td>Mortgages receivable</td>
<td>4,604,000</td>
<td>4,089,123</td>
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<tr>
<td>Property and equipment</td>
<td>147,969</td>
<td>161,485</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$6,809,357</td>
<td>$6,370,642</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$50,083</td>
<td>$10,028</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>62,441</td>
<td>81,748</td>
</tr>
<tr>
<td>Line of credit</td>
<td>303,120</td>
<td>-</td>
</tr>
<tr>
<td>Notes payable</td>
<td>412,928</td>
<td>402,002</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>828,572</td>
<td>493,778</td>
</tr>
<tr>
<td><strong>Unrestricted net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,980,785</td>
<td>5,876,864</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$6,809,357</td>
<td>$6,370,642</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
## Revenues and support

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$1,381,847</td>
<td>$1,059,839</td>
</tr>
<tr>
<td>Home sales (net of imputed interest)</td>
<td>1,254,246</td>
<td>1,196,873</td>
</tr>
<tr>
<td>Merchandise sales</td>
<td>682,145</td>
<td>701,379</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>151,076</td>
<td>164,498</td>
</tr>
<tr>
<td>Other</td>
<td>57,556</td>
<td>98,248</td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td><strong>3,526,870</strong></td>
<td><strong>3,220,837</strong></td>
</tr>
</tbody>
</table>

## Expenses

### Program services:
- Habitat: 2,433,986, 1,928,997
- Restore: 788,799, 634,802
- Management and administrative: 47,340, 38,035
- Fundraising: 152,824, 124,476

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>3,422,949</strong></td>
<td><strong>2,726,310</strong></td>
</tr>
</tbody>
</table>

## Change in net assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>103,921</strong></td>
<td><strong>494,527</strong></td>
<td></td>
</tr>
</tbody>
</table>

## Net assets - beginning of year

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5,876,864</strong></td>
<td><strong>5,382,337</strong></td>
<td></td>
</tr>
</tbody>
</table>

## Net assets - end of year

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$5,980,785</strong></td>
<td><strong>$5,876,864</strong></td>
<td></td>
</tr>
</tbody>
</table>
HABITAT FOR HUMANITY OF MONROE COUNTY, INC

Statement of Functional Expenses
Year Ended June 30, 2018

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Habitat</th>
<th>Restore</th>
<th>Total Program Services</th>
<th>Management and Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of homes sold</td>
<td>$1,486,497</td>
<td>$ -</td>
<td>$1,486,497</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,486,497</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>578,396</td>
<td>292,851</td>
<td>871,247</td>
<td>29,727</td>
<td>89,898</td>
<td>990,872</td>
</tr>
<tr>
<td>House Sponsorship Tithes</td>
<td>-</td>
<td>202,100</td>
<td>202,100</td>
<td>6,450</td>
<td>6,450</td>
<td>215,000</td>
</tr>
<tr>
<td>Rental expense</td>
<td>-</td>
<td>174,585</td>
<td>174,585</td>
<td>-</td>
<td>34,146</td>
<td>208,731</td>
</tr>
<tr>
<td>Contributions</td>
<td>123,500</td>
<td>-</td>
<td>123,500</td>
<td>-</td>
<td>-</td>
<td>123,500</td>
</tr>
<tr>
<td>Travel</td>
<td>41,998</td>
<td>761</td>
<td>42,759</td>
<td>1,424</td>
<td>3,291</td>
<td>47,474</td>
</tr>
<tr>
<td>Vehicle expense</td>
<td>10,590</td>
<td>24,518</td>
<td>35,108</td>
<td>1,135</td>
<td>1,606</td>
<td>37,849</td>
</tr>
<tr>
<td>Insurance</td>
<td>24,503</td>
<td>8,664</td>
<td>33,167</td>
<td>1,094</td>
<td>2,183</td>
<td>36,444</td>
</tr>
<tr>
<td>Professional fees</td>
<td>32,726</td>
<td>-</td>
<td>32,726</td>
<td>1,091</td>
<td>2,545</td>
<td>36,362</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>4,766</td>
<td>19,072</td>
<td>23,838</td>
<td>768</td>
<td>979</td>
<td>25,585</td>
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<tr>
<td>Computer support</td>
<td>16,745</td>
<td>5,119</td>
<td>21,864</td>
<td>751</td>
<td>1,097</td>
<td>25,035</td>
</tr>
<tr>
<td>Other expenses</td>
<td>8,339</td>
<td>4,849</td>
<td>9,286</td>
<td>303</td>
<td>1,247</td>
<td>17,447</td>
</tr>
<tr>
<td>Advertising</td>
<td>20,141</td>
<td>2,374</td>
<td>22,515</td>
<td>-</td>
<td>-</td>
<td>22,515</td>
</tr>
<tr>
<td>Utilities</td>
<td>7,635</td>
<td>10,232</td>
<td>19,867</td>
<td>768</td>
<td>3,049</td>
<td>22,916</td>
</tr>
<tr>
<td>Depreciation</td>
<td>10,914</td>
<td>3,625</td>
<td>14,539</td>
<td>567</td>
<td>1,092</td>
<td>16,227</td>
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<td>Postage</td>
<td>15,997</td>
<td>3,258</td>
<td>19,255</td>
<td>535</td>
<td>1,247</td>
<td>20,737</td>
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<tr>
<td>Mortgage servicing fees</td>
<td>15,966</td>
<td>-</td>
<td>15,966</td>
<td>532</td>
<td>1,242</td>
<td>17,408</td>
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<td>Bank service fees</td>
<td>14,881</td>
<td>335</td>
<td>15,216</td>
<td>292</td>
<td>1,163</td>
<td>16,379</td>
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<td>Telephone</td>
<td>-</td>
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<td>13,935</td>
<td>445</td>
<td>445</td>
<td>14,824</td>
</tr>
<tr>
<td>Office supplies</td>
<td>4,437</td>
<td>4,849</td>
<td>9,286</td>
<td>303</td>
<td>500</td>
<td>10,089</td>
</tr>
<tr>
<td>Training</td>
<td>8,434</td>
<td>335</td>
<td>8,770</td>
<td>292</td>
<td>666</td>
<td>9,438</td>
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<tr>
<td>Temporary help</td>
<td>4,541</td>
<td>-</td>
<td>4,541</td>
<td>158</td>
<td>580</td>
<td>5,127</td>
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<tr>
<td>Dues and memberships</td>
<td>-</td>
<td>3,682</td>
<td>3,682</td>
<td>-</td>
<td>-</td>
<td>3,682</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,980</td>
<td>-</td>
<td>2,980</td>
<td>99</td>
<td>232</td>
<td>3,212</td>
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<td>1,846</td>
<td>59</td>
<td>59</td>
<td>1,963</td>
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<tr>
<td></td>
<td><strong>$ 2,433,986</strong></td>
<td><strong>$ 788,799</strong></td>
<td><strong>$ 3,222,785</strong></td>
<td><strong>$ 47,340</strong></td>
<td><strong>$ 152,824</strong></td>
<td><strong>$ 3,422,949</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
## Statement of Functional Expenses
### Year Ended June 30, 2017

### Program Services

<table>
<thead>
<tr>
<th></th>
<th>Habitat</th>
<th>Restore</th>
<th>Total Program Services</th>
<th>Management and Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of homes sold</td>
<td>$1,063,339</td>
<td>$ -</td>
<td>$1,063,339</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,063,339</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>544,873</td>
<td>257,720</td>
<td>802,593</td>
<td>27,412</td>
<td>83,701</td>
<td>913,706</td>
</tr>
<tr>
<td>Rental expense</td>
<td>-</td>
<td>174,076</td>
<td>174,076</td>
<td>-</td>
<td>20,287</td>
<td>194,363</td>
</tr>
<tr>
<td>Contributions</td>
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<td>-</td>
<td>104,250</td>
<td>-</td>
<td>-</td>
<td>104,250</td>
</tr>
<tr>
<td>Travel</td>
<td>29,636</td>
<td>94</td>
<td>29,730</td>
<td>991</td>
<td>2,308</td>
<td>33,029</td>
</tr>
<tr>
<td>Vehicle expense</td>
<td>10,452</td>
<td>17,396</td>
<td>27,848</td>
<td>903</td>
<td>1,368</td>
<td>30,119</td>
</tr>
<tr>
<td>Insurance</td>
<td>29,661</td>
<td>5,876</td>
<td>35,537</td>
<td>1,177</td>
<td>2,495</td>
<td>39,209</td>
</tr>
<tr>
<td>Professional fees</td>
<td>17,889</td>
<td>-</td>
<td>17,889</td>
<td>596</td>
<td>1,391</td>
<td>19,876</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>14,660</td>
<td>20,248</td>
<td>34,908</td>
<td>1,135</td>
<td>1,786</td>
<td>37,829</td>
</tr>
<tr>
<td>Computer support</td>
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<td>10,363</td>
<td>354</td>
<td>1,085</td>
<td>11,802</td>
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<tr>
<td>Other expenses</td>
<td>4,959</td>
<td>22,425</td>
<td>27,384</td>
<td>881</td>
<td>1,102</td>
<td>29,367</td>
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<td>10,804</td>
<td>83,343</td>
<td>94,147</td>
<td>-</td>
<td>-</td>
<td>94,147</td>
</tr>
<tr>
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<td>14,042</td>
<td>22,077</td>
<td>716</td>
<td>1,073</td>
<td>23,866</td>
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<td>Depreciation</td>
<td>11,925</td>
<td>13,948</td>
<td>25,873</td>
<td>842</td>
<td>1,372</td>
<td>28,087</td>
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<td>Postage</td>
<td>16,646</td>
<td>329</td>
<td>16,975</td>
<td>565</td>
<td>1,305</td>
<td>18,845</td>
</tr>
<tr>
<td>Mortgage servicing fees</td>
<td>15,453</td>
<td>-</td>
<td>15,453</td>
<td>515</td>
<td>1,202</td>
<td>17,170</td>
</tr>
<tr>
<td>Bank service fees</td>
<td>15,619</td>
<td>145</td>
<td>15,764</td>
<td>526</td>
<td>1,220</td>
<td>17,510</td>
</tr>
<tr>
<td>Telephone</td>
<td>-</td>
<td>14,538</td>
<td>14,538</td>
<td>464</td>
<td>464</td>
<td>15,466</td>
</tr>
<tr>
<td>Office supplies</td>
<td>4,187</td>
<td>1,975</td>
<td>6,162</td>
<td>203</td>
<td>389</td>
<td>6,754</td>
</tr>
<tr>
<td>Training</td>
<td>12,631</td>
<td>1,955</td>
<td>14,586</td>
<td>483</td>
<td>1,044</td>
<td>16,113</td>
</tr>
<tr>
<td>Temporary help</td>
<td>6,289</td>
<td>-</td>
<td>6,289</td>
<td>219</td>
<td>804</td>
<td>7,312</td>
</tr>
<tr>
<td>Dues and memberships</td>
<td>-</td>
<td>2,372</td>
<td>2,372</td>
<td>-</td>
<td>-</td>
<td>2,372</td>
</tr>
<tr>
<td>Interest expense</td>
<td>600</td>
<td>-</td>
<td>600</td>
<td>20</td>
<td>47</td>
<td>667</td>
</tr>
<tr>
<td>Printing</td>
<td>-</td>
<td>1,046</td>
<td>1,046</td>
<td>33</td>
<td>33</td>
<td>1,112</td>
</tr>
</tbody>
</table>

$1,928,997 $634,802 $2,563,799 $38,035 $124,476 $2,726,310

See accompanying notes to financial statements
HABITAT FOR HUMANITY OF MONROE COUNTY, INC

Statements of Cash Flows
Years ended June 30, 2018 and 2017

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 103,921</td>
<td>$ 494,527</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>20,237</td>
<td>28,087</td>
</tr>
<tr>
<td>Unrealized gains</td>
<td>(12,883)</td>
<td>(4,743)</td>
</tr>
<tr>
<td>Discounts and amortization of mortgages receivable</td>
<td>349,657</td>
<td>416,685</td>
</tr>
<tr>
<td>Changes in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of assets</td>
<td>-</td>
<td>107,937</td>
</tr>
<tr>
<td>Homes for sale or under construction</td>
<td>212,839</td>
<td>(243,697)</td>
</tr>
<tr>
<td>Land held for development</td>
<td>72,682</td>
<td>169,438</td>
</tr>
<tr>
<td>Other assets</td>
<td>229</td>
<td>17,213</td>
</tr>
<tr>
<td>Accounts payable and accrued expense</td>
<td>20,748</td>
<td>(200,027)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>767,430</td>
<td>785,420</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |            |            |
| Purchase of investments         | (3,002)    | (33,690)   |
| Originations of mortgages receivable | (1,548,782)| (1,287,847)|
| Payments on mortgages receivable| 684,248    | 539,677    |
| Purchase of property and equipment | (6,721)   | (361,834)  |
| Net cash used by investing activities | (874,257)  | (1,143,694)|

| **Cash flows from financing activities** |            |            |
| Proceeds from line of credit      | 303,120    | -          |
| Proceeds from notes payable       | 45,000     | -          |
| Payments on notes payable         | (34,074)   | (23,192)   |
| Net cash provided (used) by financing activities | 314,046    | (23,192)   |

| **Net change in cash and cash equivalents** |            |            |
|                                              | 207,219    | (381,466)  |

| **Cash and cash equivalents - beginning of year** | 265,856    | 647,322    |
| **Cash and cash equivalents - end of year**      | $ 473,075  | $ 265,856  |
| Interest payments during the year               | $ 3,311    | $ 667      |

See accompanying notes to financial statements
NOTE 1  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity of Monroe County, Inc. (HFH) is an independent and locally governed tax exempt non-profit Indiana Corporation formed in 1988 for the purpose of providing residential housing for low-income families who have been residents of Monroe County and adjacent counties for at least one year.

HFH works to end poverty housing in Monroe County and adjacent counties by creating opportunities for home ownership in partnership with low-income families and by making safe, decent, affordable housing a matter of community conscience and action. HFH builds market-quality homes utilizing volunteer labor and sells homes to qualified low-income families for minimal cash down and utilizing 15-25 year non-interest bearing mortgages. Families who purchase homes are identified by the Family Selection Committee who uses predetermined criteria which does not consider race, gender, nationality, age, handicap, religion, marital status or source of personal income. An approved applicant must provide 250 hours of “sweat equity” by participating in a significant amount of labor in its home construction program and/or in some other form of community service. In addition, each buyer must maintain the home as required by the mortgage contract and participate in HFH’s nurturing program, which provides pre-purchase and post-purchase homeowner education and counseling.

In addition to home building activities, HFH also operated a retail thrift operation (dba ReStore). ReStore specializes in selling surplus new and used building and home improvement materials, appliances and furniture to the public. ReStore receives donated usable materials from retail businesses, contractors, individuals and other organizations. Costs associated with operation of ReStore are expensed in program-ReStore in the accompanying statement of activities and changes in net assets. All net proceeds from the operation of ReStore help support and enhance HFH’s non-profit mission-related activities.

Basis of Accounting

The financial records have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. Unrestricted net assets include all assets over which HFH has full discretion as to use. Temporarily restricted net assets include contributions whose use by HFH is limited by donor imposed stipulations either as to use or timing. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management’s best estimate of what market participants would use as fair value.

Cash

For purposes of the statements of cash flows, HFH considers all liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of money market accounts. HFH maintains its cash in bank accounts which, at times, may exceed federally insured limits. HFH has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risks on cash and cash equivalents.
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—(CONTINUED)

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. Most of the mortgages mature in 18-25 years. The receivable has been discounted using an imputed interest rate of 7.57% based upon Habitat for Humanity International averages for low income housing. Interest income is recorded over the lives of the mortgages using the effective interest method. HFH’s estimate for allowance of loan losses is zero. HFH has had historical success in collecting and makes every effort for homebuyers to arrange repayment even when experiencing financial difficulties. HFH also believes the homes securing the notes are sufficient collateral to not experience loan losses.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investments at June 30, 2018 and 2017 consisted of exchange-traded funds and are valued using Level 1 inputs in the fair value hierarchy. Investments primarily consist of the Pat Wilson Education Fund “the fund” which is restricted to assist in encouraging secondary education opportunities for the children of Habitat families in Monroe County. As of June 30, 2018, no amount has been appropriated for expenditure. The fund is open to donations from other donors. Board can modify the fund and expenditures if circumstances or opportunities warrant change.

Inventory

ReStore donated materials are not valued or included in inventory and are reported as net income when sold.

Assets Held for Development

Assets held for development are reported at cost or if donated, at fair market value at date of donation. Once development is complete, the properties are sold to arranged buyers with selling price based upon a budgeted formula with excess basis expensed as program cost.

Property and Equipment

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue.
NOTE 1  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

In-Kind Donations

The Organization receives certain in-kind donations during the year, which are recorded at fair market value as contribution revenue and an expense in the financial statements. For the years ended June 30, 2018 and 2017, $209,280 and $60,908, respectively, were received in in-kind donations.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based upon estimates of the time spent by the Organization’s personnel.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Indiana law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization’s IRS Form 990 is subject to review and examination by Federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Advertising Costs

Advertising costs are expensed as incurred. Costs totaled $22,515 and $94,147 for the year ending June 30, 2018 and 2017, respectively.

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 the revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

NOTE 2  MORTGAGES RECEIVABLE

Mortgages receivable as of June 30, 2018 were $8,224,739 and were valued, net of present value amortization of $3,620,739 on the statement of financial position. Mortgage receivable as of June 30, 2017 were $7,360,205 and were valued, net of present value amortization of $3,271,082 on the statement of financial position.

HFH also records a second mortgage on properties sold below market value to protect the value of the sale. These mortgages are valued at $0 as collection is unlikely and are not included in these financial statements.
NOTE 3  FUNDS HELD BY COMMUNITY FOUNDATION

Certain donors have transferred assets to the Community Foundation of Bloomington and Monroe County. The funds are designated to HFH. Since the Community Foundation of Bloomington and Monroe County retains variance power over these funds, they are not recorded on HFH’s financial statements. At June 30, 2018 and 2017, the fair value of the funds held by Community Foundation of Bloomington and Monroe County was approximately $45,000.

NOTE 4  PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold Improvements</td>
<td>$203,080</td>
<td>$203,080</td>
</tr>
<tr>
<td>Equipment</td>
<td>38,012</td>
<td>31,980</td>
</tr>
<tr>
<td>Vehicles</td>
<td>136,313</td>
<td>135,313</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(229,436)</td>
<td>(208,888)</td>
</tr>
<tr>
<td></td>
<td>$147,969</td>
<td>$161,485</td>
</tr>
</tbody>
</table>

NOTE 5  LINE OF CREDIT

HFH has a $1,000,000 revolving line of credit agreement. As of June 30, 2018 and 2017 $303,120 and $0, respectively, was borrowed against this line. The line is collateralized by substantially all of the HFH’s assets. The outstanding balance at February 15, 2020 shall convert to a term note and lender shall not authorize further advances to borrower as of the date of conversion. The outstanding amount at February 15, 2020 is to be amortized for a fixed term of 10 years from the date of conversion and shall accrue interest at a rate of 4.5%.
## NOTE 6  NOTES PAYABLE

As of June 30, 2018, notes payable consisted of the following:

<table>
<thead>
<tr>
<th>Note Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHOP note 195001 (A)</td>
<td>$6,237</td>
<td>$7,125</td>
</tr>
<tr>
<td>SHOP note 152040 (B)</td>
<td>-</td>
<td>$1,604</td>
</tr>
<tr>
<td>SHOP note 153023 (C)</td>
<td>-</td>
<td>$8,808</td>
</tr>
<tr>
<td>SHOP note 211044 (D)</td>
<td>$28,750</td>
<td>-</td>
</tr>
<tr>
<td>SHOP note 221045 (E)</td>
<td>$16,250</td>
<td>-</td>
</tr>
<tr>
<td>SHOP note 181075 (F)</td>
<td>$18,039</td>
<td>$25,239</td>
</tr>
<tr>
<td>SHOP note 191035 (G)</td>
<td>$1,788</td>
<td>$2,496</td>
</tr>
<tr>
<td>SHOP note 192009 (H)</td>
<td>$22,711</td>
<td>$31,793</td>
</tr>
<tr>
<td>SHOP note 193005 (I)</td>
<td>$16,035</td>
<td>$21,375</td>
</tr>
<tr>
<td>SHOP note 194004 (J)</td>
<td>$3,118</td>
<td>$3,562</td>
</tr>
<tr>
<td>Note Payable John McDaniel (K)</td>
<td>$300,000</td>
<td>$300,000</td>
</tr>
<tr>
<td></td>
<td>$412,928</td>
<td>$402,002</td>
</tr>
</tbody>
</table>

(A) During the year, HFH obtained a note from Habitat for Humanity International (loan no. 195001) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2021 and is unsecured.

(B) On September 29, 2011, HFH obtained a note from Habitat for Humanity International (loan no. 152040) which bears an interest rate of 0%. Monthly payments of $131 are required. The note matures on December 29, 2019 and is unsecured.

(C) On June 1, 2013, HFH obtained a note from Habitat for Humanity International (loan no. 153023) which bears an interest rate of 0%. Monthly payments of $781 are required. The note matures on September 1, 2021 and is unsecured.

(D) On July 1, 2017, HFH obtained a note from Habitat for Humanity International (loan no. 211044) which bears an interest rate of 0%. Monthly payments of $598 are required. The note matures on January 1, 2020 and is unsecured.

(E) On July 1, 2017, HFH obtained a note from Habitat for Humanity International (loan no. 221045) which bears an interest rate of 0%. Monthly payments of $598 are required. The note matures on January 1, 2020 and is unsecured.

(F) On December 4, 2014, HFH obtained a note from Habitat for Humanity International (loan no. 181075) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2020 and is unsecured.

(G) On August 5, 2014, HFH obtained a note from Habitat for Humanity International (loan no. 191035) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2020 and is unsecured.

(H) On August 5, 2014, HFH obtained a note from Habitat for Humanity International (loan no. 192009) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2020 and is unsecured.
NOTE 6  NOTES PAYABLE (CONTINUED)

(I) On February 15, 2015, HFH obtained a note from Habitat for Humanity International (loan no. 193005) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on June 30, 2021 and is unsecured.

(J) During the year, HFH obtained a note from Habitat for Humanity International (loan no. 194004) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2021 and is unsecured.

(K) During 2015, HFH extended a loan from an individual which bears an interest rate of 0%. Monthly payments are not required. The note matures July 1, 2019 at which point a balloon payment of $300,000 is required. The loan is secured by certain business assets.

Scheduled maturities of notes payable are as follows:

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>44,832</td>
</tr>
<tr>
<td>2020</td>
<td>344,832</td>
</tr>
<tr>
<td>2021</td>
<td>13,894</td>
</tr>
<tr>
<td>2022</td>
<td>4,039</td>
</tr>
<tr>
<td>2023</td>
<td>2,676</td>
</tr>
<tr>
<td>Thereafter</td>
<td>2,655</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 412,928</strong></td>
</tr>
</tbody>
</table>

NOTE 7  OPERATING LEASE

HFH leases property for its Restore facility under a noncancelable operating lease that expires May 31, 2021. The lease can be extended for 2 five-year terms. Rent expense for this lease included in the statement of activities was approximately $173,000 for both of the years ended June 30, 2018 and 2017. HFH is also responsible for real estate taxes under this lease. Future annual minimum lease payments are $173,000 for 2019 and 2020 and $72,000 for 2021.