

**HABITAT FOR HUMANITY
OF
FORSYTH COUNTY, INC.**

Financial Statements

June 30, 2017 and 2016

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Board of Directors
Habitat for Humanity of Forsyth County, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Habitat for Humanity of Forsyth County, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 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 Forsyth 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 U.S. generally accepted accounting principles.

Other Matter – Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of home building activity on pages 26 – 27 are presented for purposes of additional analysis and are 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 audits 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Butler & Burke LLP

Winston-Salem, North Carolina
October 31, 2017

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 822,026	\$ 1,109,430
Pledges receivable, net	161,577	170,103
Grants receivable	751,713	732,353
Other receivables	168,912	47,180
Non-interest bearing mortgage notes receivable, net	6,103,132	6,144,135
Real estate held for sale and development	390,861	423,872
Houses under construction	395,326	318,894
Property and equipment, net	4,485,509	4,554,849
Beneficial interest in assets held by others	296,316	276,160
Other assets	<u>73,186</u>	<u>92,256</u>
<u>TOTAL ASSETS</u>	<u>\$ 13,648,558</u>	<u>\$ 13,869,232</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 228,517	\$ 169,050
Notes payable	1,838,346	2,050,872
Capital lease obligations	22,263	32,103
Non-interest bearing notes payable, net	<u>1,261,420</u>	<u>1,177,753</u>
<u>Total Liabilities</u>	<u>3,350,546</u>	<u>3,429,778</u>
Net Assets		
Unrestricted		
Undesignated	4,391,616	4,040,639
Net investment in property and equipment	4,485,509	4,554,849
Designated for endowment	<u>163,111</u>	<u>148,050</u>
	9,040,236	8,743,538
Temporarily restricted	1,198,300	1,636,440
Permanently restricted	<u>59,476</u>	<u>59,476</u>
<u>Total Net Assets</u>	<u>10,298,012</u>	<u>10,439,454</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 13,648,558</u>	<u>\$ 13,869,232</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 295,645	\$ 54,100	\$ -	\$ 349,745
Grants	22,683	168,785	-	191,468
Hammerbird 5k	38,344	-	-	38,344
Golf tournament	67,226	-	-	67,226
Blueprint breakfast	57,310	78,483	-	135,793
House sponsor donations	323,265	86,020	-	409,285
Gifts-in-kind	149,442	-	-	149,442
Government contracts	285,164	-	-	285,164
Sale of completed houses (net of discounts of \$462,134)	621,143	-	-	621,143
Amortization of mortgage discount	576,096	-	-	576,096
ReStore sales	1,353,414	-	-	1,353,414
Unrealized gains on beneficial interest	22,311	7,954	-	30,265
Other income (loss)	<u>208,061</u>	<u>(735)</u>	<u>-</u>	<u>207,326</u>
	4,020,104	394,607	-	4,414,711
Net assets released from restrictions	<u>832,747</u>	<u>(832,747)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>4,852,851</u>	<u>(438,140)</u>	<u>-</u>	<u>4,414,711</u>
EXPENSES				
Program services				
Construction, volunteer and family services	2,971,326	-	-	2,971,326
ReStore	1,081,061	-	-	1,081,061
Management and general	201,324	-	-	201,324
Fundraising	<u>302,442</u>	<u>-</u>	<u>-</u>	<u>302,442</u>
Total Expenses	<u>4,556,153</u>	<u>-</u>	<u>-</u>	<u>4,556,153</u>
Change in Net Assets	296,698	(438,140)	-	(141,442)
Net Assets at Beginning of Year	<u>8,743,538</u>	<u>1,636,440</u>	<u>59,476</u>	<u>10,439,454</u>
Net Assets at End of Year	<u>\$ 9,040,236</u>	<u>\$ 1,198,300</u>	<u>\$ 59,476</u>	<u>\$ 10,298,012</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 474,740	\$ 8,000	\$ -	\$ 482,740
Grants	2,135	939,884	-	942,019
Hammerbird 5k	35,414	-	-	35,414
Golf tournament	47,146	-	-	47,146
Blueprint breakfast	93,456	-	-	93,456
House sponsor donations	194,085	264,380	-	458,465
Gifts-in-kind	133,482	-	-	133,482
Government contracts	346,112	-	-	346,112
Sale of completed houses (net of discounts of \$296,401)	200,665	-	-	200,665
Amortization of mortgage discount	512,801	-	-	512,801
ReStore sales	1,200,547	-	-	1,200,547
Debt forgiveness	75,000	-	-	75,000
Unrealized losses on beneficial interest	(2,980)	(2,049)	-	(5,029)
Other income (loss)	82,262	(1,504)	-	80,758
	<u>3,394,865</u>	<u>1,208,711</u>	<u>-</u>	<u>4,603,576</u>
Net assets released from restrictions	<u>620,417</u>	<u>(620,417)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>4,015,282</u>	<u>588,294</u>	<u>-</u>	<u>4,603,576</u>
EXPENSES				
Program services				
Construction, volunteer and family services	2,279,797	-	-	2,279,797
ReStore	879,252	-	-	879,252
Management and general	209,303	-	-	209,303
Fundraising	294,234	-	-	294,234
	<u>3,662,586</u>	<u>-</u>	<u>-</u>	<u>3,662,586</u>
Change in Net Assets	352,696	588,294	-	940,990
Net Assets at Beginning of Year	<u>8,390,842</u>	<u>1,048,146</u>	<u>59,476</u>	<u>9,498,464</u>
Net Assets at End of Year	<u>\$ 8,743,538</u>	<u>\$ 1,636,440</u>	<u>\$ 59,476</u>	<u>\$ 10,439,454</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services			Management and General	Fundraising	Total
	Construction, Volunteer and Family Services	ReStore	Total Program Services			
Building lots, materials and supplies (including \$90,367 of donated construction materials)	\$ 1,485,646	\$ -	\$ 1,485,646	\$ -	\$ -	\$ 1,485,646
Other donated materials and services	32,999	-	32,999	-	-	32,999
Salaries and benefits	874,749	579,312	1,454,061	105,919	187,586	1,747,566
Rent	-	54,000	54,000	-	-	54,000
Repairs and maintenance	81,812	18,020	99,832	24,779	-	124,611
Travel and vehicle	13,920	30,931	44,851	-	-	44,851
Insurance	24,264	17,207	41,471	6,188	1,603	49,262
Publicity	3,791	22,001	25,792	356	8,215	34,363
Office expense	34,702	38,513	73,215	2,578	23,948	99,741
Utilities	26,335	33,385	59,720	5,396	-	65,116
Tithe to HFH International	37,576	-	37,576	-	-	37,576
Hammerbird 5k	-	-	-	-	12,086	12,086
Golf tournament	-	-	-	-	10,691	10,691
Blueprint breakfast	-	-	-	-	3,531	3,531
Interest	31,994	34,553	66,547	-	-	66,547
Amortization of discount on non-interest bearing notes payable	110,084	-	110,084	-	-	110,084
Depreciation	72,993	89,077	162,070	10,262	11,971	184,303
Volunteer expense	21,940	-	21,940	3,055	-	24,995
Professional fees	9,344	-	9,344	20,678	-	30,022
Provision for uncollectible pledges	-	-	-	-	17,409	17,409
Other	109,177	164,062	273,239	22,113	25,402	320,754
	<u>\$ 2,971,326</u>	<u>\$ 1,081,061</u>	<u>\$ 4,052,387</u>	<u>\$ 201,324</u>	<u>\$ 302,442</u>	<u>\$ 4,556,153</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services					Total
	Construction, Volunteer and Family Services	ReStore	Total Program Services	Management and General	Fundraising	
Building lots, materials and supplies (including \$30,259 of donated construction materials)	\$ 797,396	\$ -	\$ 797,396	\$ -	\$ -	\$ 797,396
Other donated materials and services	38,799	-	38,799	-	-	38,799
Salaries and benefits	867,508	483,709	1,351,217	110,270	172,725	1,634,212
Rent	-	21,995	21,995	-	-	21,995
Repairs and maintenance	41,510	8,020	49,530	28,064	-	77,594
Travel and vehicle	12,411	20,386	32,797	-	-	32,797
Insurance	32,027	24,963	56,990	5,562	2,110	64,662
Publicity	9,404	11,434	20,838	126	8,725	29,689
Office expense	27,995	27,930	55,925	4,805	23,288	84,018
Utilities	17,222	27,681	44,903	4,245	-	49,148
Tithe to HFH International	30,500	-	30,500	-	-	30,500
Hammerbird 5k	-	-	-	-	21,819	21,819
Golf tournament	-	-	-	-	11,094	11,094
Blueprint breakfast	-	-	-	-	6,420	6,420
Interest	33,565	35,494	69,059	-	-	69,059
Amortization of discount on non-interest bearing notes payable	97,118	-	97,118	-	-	97,118
Depreciation	65,161	83,684	148,845	8,922	9,492	167,259
Volunteer expense	30,135	-	30,135	1,376	-	31,511
Professional fees	4,650	-	4,650	20,753	-	25,403
Other	174,396	133,956	308,352	25,180	38,561	372,093
	<u>\$ 2,279,797</u>	<u>\$ 879,252</u>	<u>\$ 3,159,049</u>	<u>\$ 209,303</u>	<u>\$ 294,234</u>	<u>\$ 3,662,586</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (141,442)	\$ 940,990
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	184,303	167,259
Issuance of non-interest bearing mortgage loans	(1,163,511)	(656,427)
Discounts on newly issued non-interest bearing mortgage loans	677,958	373,039
Amortization of mortgage discounts	(576,096)	(512,801)
Amortization of discounts on non-interest bearing notes payable	110,084	97,118
Discounts on current year non-interest bearing notes payable	(215,535)	(76,638)
Other non-cash donations of property and equipment	(11,445)	(46,208)
Discount on pledges receivable	5,627	-
Amortization of discount on pledges receivable	(2,000)	(7,000)
Other non-cash donations of real estate held for sale and development	(28,525)	-
Provision for uncollectible pledges	17,409	-
Unrealized (gains) losses on beneficial interest	(30,265)	5,029
(Gain) loss on disposal of property and equipment	125	(8,729)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Pledges receivable	(12,510)	364,324
Grants receivable	(19,360)	(658,361)
Other receivables	(121,732)	119,789
Houses under construction	(76,432)	31,174
Other assets	19,070	(3,164)
Increase (decrease) in:		
Accounts payable and accrued expenses	59,467	(272,026)
<u>Net Cash Used in Operating Activities</u>	<u>(1,324,810)</u>	<u>(142,632)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(120,094)	(383,180)
Other real estate capital expenditures	(142,634)	(285,670)
Mortgage payments received	1,102,652	962,143
Proceeds from sale of other real estate	204,170	181,367
Proceeds from sale of property and equipment	16,451	10,600
Beneficial interest additions, net of fees	2,793	2,745
Beneficial interest distributions	7,316	11,487
<u>Net Cash Provided by Investing Activities</u>	<u>1,070,654</u>	<u>499,492</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
FINANCING ACTIVITIES		
Principal payments on notes payable	(250,149)	(237,377)
Payments on non-interest bearing notes payable	(175,882)	(150,822)
Proceeds from notes payable	37,623	206,173
Proceeds from current year non-interest bearing notes payable	365,000	130,000
Repayment of capital lease obligation	(9,840)	(9,727)
<u>Net Cash Used in Financing Activities</u>	<u>(33,248)</u>	<u>(61,753)</u>
Increase (Decrease) in Cash and Cash Equivalents	(287,404)	295,107
Cash and Cash Equivalents at Beginning of Year	<u>1,109,430</u>	<u>814,323</u>
Cash and Cash Equivalents at End of Year	<u>\$ 822,026</u>	<u>\$ 1,109,430</u>
<u>SUPPLEMENTAL INFORMATION:</u>		
Cash paid for interest	<u>\$ 66,543</u>	<u>\$ 68,237</u>
Non-cash investing and financing activity:		
Debt forgiveness of deferred forgivable mortgage	<u>\$ -</u>	<u>\$ 75,000</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

Habitat for Humanity of Forsyth County, Inc. ("Habitat"), an affiliate of Habitat for Humanity International, Inc. ("HFHI") is a North Carolina not-for-profit corporation organized in 1985 whose purpose is to mobilize community resources to advocate for the elimination of substandard housing and to build affordable housing for low-income individuals and families in Forsyth County, North Carolina, through a program both privately and publicly financed, and to sell such housing to low-income persons at appraised value, which approximates cost, under twenty to thirty year non-interest bearing mortgage notes. Habitat finances its operations through continuing contributions, mortgage payment receipts, ReStore sales, and grants. The ReStore is a 23,000 plus square foot retail space that is operated by Habitat. It is open to the public and sells new and used furniture, building supplies, and creative merchandise for home improvements. The ReStore accepts donated goods from individuals and businesses. Another ReStore location opened in Kernersville, NC in 2016. A third ReStore location was set up in Lewisville, NC with the opening planned for July, 2017. Although HFHI assists with information resources, training, publications and in other ways, Habitat is directly responsible for its own operations. Habitat is required to make contributions to HFHI for the construction of homes in economically depressed areas outside the United States, in order to maintain status as an affiliate in good standing.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), and accordingly reflect all significant receivables payables, and other liabilities.

Basis of Presentation

Habitat presents its net assets and its support and revenue based upon the absence or existence of donor-imposed restrictions as follows:

Unrestricted net assets – net assets that are not restricted by donors or for which donor-imposed restrictions have expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated unrestricted net assets.

Temporarily restricted net assets – net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Permanently restricted net assets – net assets that contain donor-imposed restrictions stipulating that amounts be maintained in perpetuity.

Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets (i.e., the stipulated time period has elapsed or purpose was satisfied) are reported as net assets released from restrictions. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized.

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, which include unconditional promises to give, are recognized as revenues in the period the commitment is made and are initially recorded at fair value, which is computed as the estimated present values of expected future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

In-Kind Contributions

Contributions of assets other than cash are recorded at their estimated fair value. Habitat reports revenues for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. These contributions, including legal and mortgage services and construction materials, amounted to \$149,442 and \$133,482 for the years ended June 30, 2017 and 2016, respectively.

A substantial number of volunteers donate significant amounts of time to Habitat; however, no amounts have been reflected in the financial statements for these services since the donated services do not meet the above conditions for recognition under GAAP.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include all cash and certificates of deposit with an original maturity of three months or less.

Real Estate Held for Sale and Development

Real estate held for sale and development consists of both purchased and donated lots. Purchased lots are valued at historical cost. Donated lots are valued using the appraised values from either an independent appraisal or from property tax records. Since all donated property is unrestricted, management may determine that certain property is not suitable for construction and may elect to sell or otherwise dispose of the property. Real estate held for sale is valued at the lower of cost or market.

Property and Equipment

Property, equipment and leasehold improvements are capitalized at cost, unless donated. Donated property is stated at fair market value at the date of the gift. It is Habitat's policy to capitalize expenditures for these items in excess of \$2,000. Lesser amounts are expensed. Depreciation and amortization are provided on the straight-line method over estimated useful lives ranging from 3 to 39 years. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. For assets held and used, an impairment charge is recognized if projected undiscounted cash flows are less than the carrying value of the assets. For assets held for disposal, an impairment charge is recognized if the carrying value of the assets exceeds the fair value less costs to sell.

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Assets Held by Others (Endowment Funds)

Habitat has established trust arrangements with the Winston-Salem Foundation (the "Foundation"), the purpose of which is to provide permanent endowments to support the future needs of Habitat. Donor contributions and monies designated by the Board have been irrevocably transferred to the Foundation, who will invest the funds and make quarterly earnings distributions, to Habitat or accumulated income funds within the endowments, in an amount determined by the Foundation. Habitat has granted the Foundation variance power, the unilateral power to redirect the use of the assets, but has retained a right to the assets by specifying itself as the beneficiary. Pursuant to GAAP, these endowments have been recognized as a beneficial interest in assets held by others in the accompanying statements of financial position at the current market value of the underlying investments held by the Foundation, which amounted to \$296,316 and \$276,160 as of June 30, 2017 and 2016, respectively.

Habitat has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Habitat classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the funds. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Habitat in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Habitat considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) other resources of Habitat. UPMIFA does not apply to board designated endowment funds, and accordingly the portion of the endowments attributed to board designation is reflected as unrestricted net assets.

Funds with Deficiencies. From time to time, the fair value of the assets associated with the donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Habitat to retain as funds of perpetual duration. In accordance with GAAP, deficiencies of this nature are first offset by any accumulated temporarily restricted net assets from the funds, with any remaining deficiency offsetting unrestricted net assets. Any reduction in unrestricted net assets due to deficiencies would be restored with future earnings before any earnings are accumulated in temporarily restricted net assets. The donor-restricted portion of the endowments had deficiencies of \$3,275 and \$8,467 at June 30, 2017 and 2016, respectively, reducing unrestricted net assets.

Investment Return Objectives, Risk Parameters and Strategies. Based on the nature of the endowments, the investment of the funds are determined by the Foundation rather than Habitat. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent rate of return that has sufficient liquidity to provide Habitat income while growing the funds if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed by the Foundation.

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Assets Held by Others (Endowment Funds) (Continued)

Spending Policy. The Foundation makes quarterly distributions to Habitat or accumulated income funds within the endowments. Distribution amounts are determined by Foundation policy. The decision to take the distribution or accumulate in the income funds within the endowments are determined by Habitat's management consistent with the previously discussed standards of prudence prescribed by UPMIFA. Amounts distributed by the funds can be used by Habitat for operating purposes, however, consistent with UPMIFA and GAAP, Habitat reflects all investment income and changes in value of the donor restricted portion of the funds as temporarily restricted net assets until appropriated for expenditure by the Board of Directors (unless there is a fund deficiency as discussed above). All investment income and change in value of the board designated endowment fund is reflected as unrestricted net assets.

Fair Value Measurements

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data. See Note N for assets of Habitat measured at fair value on a recurring basis.

ReStore Donations

Donations accepted by the ReStore consist principally of surplus and salvage building materials and furniture. These donations are not recorded when received as the donated items do not have a readily determinable fair value at the time of the donation. Accordingly, Habitat recognizes ReStore revenue when the donated items are sold.

Sales of Completed Houses

Sales to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages. The non-interest bearing mortgages Habitat holds are discounted at inception based upon market interest rates for similar mortgages as supplied each June 30th by HFHI. Discount rates applied to the mortgages Habitat currently holds range from 7.39% to 8.78%. A discount rate of 7.47% was applied to mortgages originated during the year ended June 30, 2017 and a discount rate of 7.48% was applied to mortgages originated during the year ended June 30, 2016. Discounts are amortized over the lives of the mortgages using the effective interest method. No amounts have been provided as an allowance for uncollectible notes as the fair value of the collateral (homes sold) exceeds the amounts of the discounted notes and estimated costs associated with foreclosure.

Advertising Costs

Advertising costs, included in publicity in the accompanying statements of functional expenses, are expensed as incurred.

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The costs of providing program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of Habitat.

Income Tax Status

Habitat is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

Habitat's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that Habitat has no uncertain tax positions that would be subject to change upon examination.

Habitat is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. Habitat is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds \$1,000. Habitat's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Subsequent Events

Habitat has evaluated its subsequent events (events occurring after June 30, 2017) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C: CONCENTRATION OF RISK AND FUNDING

The financial instruments that potentially subject Habitat to credit risk consist primarily of cash, mortgage notes receivable, unconditional promises to give, grants receivable and other receivables.

Habitat maintains cash with four major financial institutions. At times these accounts may exceed federally insured limits. Habitat has not experienced any losses on these accounts and management does not believe it is exposed to any significant risk.

In accordance with its mission, Habitat sells homes to low-income persons in exchange for twenty to thirty year non-interest bearing notes. The notes are secured by first mortgages on the underlying real estate. The credit risk associated with these notes is not significant as the homes are sold at appraised value which approximates cost.

Unconditional promises to give, grants receivable and other receivables are by their nature, unsecured.

NOTE D: PLEDGES RECEIVABLE

In connection with various campaigns, Habitat solicited pledges to help fund various initiatives. These include a capital campaign to fund the construction of a new ReStore facility and support Neighborhood Revitalization, a comprehensive approach to impact a neighborhood by rehabilitation of vacant and foreclosed houses as well as minor repairs and weatherization to existing low income homeowners. Pledges were also sought to sponsor specific house construction as well as the Blueprint Breakfast event to help fund construction for multiple years.

Pledges are recorded in the period in which an unconditional pledge is made. Conditional pledges are recognized as gift income in the period in which the conditions are satisfied. Pledges receivable are recorded at the present value of estimated future cash flows with a discount rate of 1.14%. As of June 30, 2017, unconditional pledges consist of the following:

Capital Campaign	\$ 56,594
Blueprint Breakfast	92,960
House Sponsors	<u>26,500</u>
	<u>\$ 176,054</u>

As of June 30, 2017, unconditional pledges are expected to be realized in the following periods:

Due within one year	\$ 112,204
Due in one to five years	<u>63,850</u>
Total unconditional pledges	176,054
Less:	
Allowance for uncollectible pledges	(8,850)
Discount to present value	<u>(5,627)</u>
	<u>\$ 161,577</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 3,505,363	\$ 3,484,692
Office furniture and equipment	173,119	145,425
Construction equipment	392,205	350,969
ReStore furniture and equipment	64,323	60,785
Land	<u>919,361</u>	<u>919,361</u>
	5,054,371	4,961,232
Less accumulated depreciation	<u>(568,862)</u>	<u>(406,383)</u>
	<u>\$ 4,485,509</u>	<u>\$ 4,554,849</u>

Depreciation expense totaled \$184,303 and \$167,259 for the years ended June 30, 2017 and 2016, respectively.

NOTE F: NON-INTEREST BEARING MORTGAGE NOTES RECEIVABLE

A summary of mortgage notes is as follows at June 30:

	<u>2017</u>	<u>2016</u>
Various non-interest bearing mortgage notes which are due in monthly installments of approximately \$76,000	\$ 10,446,271	\$ 10,385,700
Less discounts	<u>(4,343,139)</u>	<u>(4,241,565)</u>
	<u>\$ 6,103,132</u>	<u>\$ 6,144,135</u>

A portion of the above mortgage notes receivable is pledged as collateral, securing the loans described in Note H and Note I.

In general, each homeowner signs several promissory notes.

The first mortgage note payable to Habitat; non-interest bearing, due in monthly installments over a term ranging from 20-30 years; secured by a first deed of trust on the home with an average value of \$87,027. The average value of first mortgages was \$77,513. Some of the loans made also included a loan to the North Carolina Housing Finance Agency (NCHFA). When applied for, Habitat receives \$15,000 - \$45,000 from NCHFA after closing a loan with the homeowner. Habitat collects the full mortgage payment and remits the NCHFA portion monthly. See additional information on NCHFA notes payable in Note I. Owner must occupy as principal residence; if sold, refinanced or otherwise encumbered within ten years, then, in addition to the balance of the note, a share of appreciation in value shall be payable to Habitat, based upon a defined formula in the deed. The deed of trust grants Habitat the right of first refusal to repurchase the property under the same terms and conditions as a bona fide offer to the homeowner.

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F: NON-INTEREST BEARING MORTGAGE NOTES RECEIVABLE (CONTINUED)

Most new homes sold in Winston-Salem also have a mortgage note payable to the City of Winston-Salem representing its investment in the property for site preparation and infrastructure costs performed by Habitat; owner must occupy as principal residence, due upon sale or transfer of property; non-interest bearing; secured by deed of trust.

Habitat policy does not allow for total purchase price of homes to be greater than appraised value by an independent appraiser. Habitat policy does not allow for a profit to be realized on the sale of the homes.

Credit Quality Information

Habitat adheres to underwriting standards and qualifications endorsed by HFHI. Habitat requires a credit report at the time of application and prior to closing the loan, but the credit score does not determine the lending decision. Minimum underwriting standards allow for no more than \$2,000 in non-medical collections and no unsatisfied judgements against the applicant. Habitat requires a demonstrated ability to repay the loan.

Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or Habitat may accept back the deed in lieu of foreclosure if homeowner mortgage payments are deemed seriously delinquent. Management does not believe any of the mortgage notes receivable to be impaired as of June 30, 2017 and 2016.

Mortgage notes receivable balances that are considered past due as of June 30 are as follows:

	<u>2017</u>	<u>2016</u>
1 – 30 days past due	\$ 15,644	\$ 15,046
30 – 60 days past due	6,876	16,259
60 – 90 days past due	5,757	5,183
90+ days past due	<u>19,222</u>	<u>27,341</u>
 Total	 <u>\$ 47,499</u>	 <u>\$ 63,829</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (ENDOWMENT FUNDS)

Endowment net assets composition by type as of June 30, 2017 and 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2017</u>				
Donor-restricted endowment	\$ (3,275)	\$ -	\$ 59,476	\$ 56,201
Board designated endowment	163,111	-	-	163,111
Other (Jimmy Johnson Fund)	-	77,004	-	77,004
	<u>\$ 159,836</u>	<u>\$ 77,004</u>	<u>\$ 59,476</u>	<u>\$ 296,316</u>
<u>2016</u>				
Donor-restricted endowment	\$ (8,467)	\$ -	\$ 59,476	\$ 51,009
Board designated endowment	148,050	-	-	148,050
Other (Jimmy Johnson Fund)	-	77,101	-	77,101
	<u>\$ 139,583</u>	<u>\$ 77,101</u>	<u>\$ 59,476</u>	<u>\$ 276,160</u>

Changes in endowment net assets during the years ended June 30, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2017</u>				
Endowment net assets, beginning of year	\$ 139,583	\$ 77,101	\$ 59,476	\$ 276,160
Interest and dividend income, net	(2,058)	(735)	-	(2,793)
Unrealized gains	22,311	7,954	-	30,265
Amounts appropriated for expenditure	-	(7,316)	-	(7,316)
Endowment net assets, end of year	<u>\$ 159,836</u>	<u>\$ 77,004</u>	<u>\$ 59,476</u>	<u>\$ 296,316</u>
<u>2016</u>				
Endowment net assets, beginning of year	\$ 152,271	\$ 83,674	\$ 59,476	\$ 295,421
Interest and dividend income, net	(1,241)	(1,504)	-	(2,745)
Unrealized losses	(2,980)	(2,049)	-	(5,029)
Amounts appropriated for expenditure	(8,467)	(3,020)	-	(11,487)
Endowment net assets, end of year	<u>\$ 139,583</u>	<u>\$ 77,101</u>	<u>\$ 59,476</u>	<u>\$ 276,160</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H: NOTES PAYABLE

Notes payable are summarized as follows at June 30:

	<u>2017</u>	<u>2016</u>
Revolving line of credit with Branch Banking and Trust, limit of \$250,000, bank prime interest rate minus 0.375%, interest only monthly payments, unsecured. Matures in March 2019.	\$ -	\$ -
Note payable to Wells Fargo Bank, variable rate at LIBOR plus 2.3%, secured by certain land and ReStore building, with interest only payments until January 2015, at which time quarterly principal payments of \$35,000 will be made for 12 consecutive quarters, then changing to \$25,000 quarterly payments at January 2018 for 7 consecutive quarters through October 2019, at which time any remaining balance of accrued interest will be due in full.	982,293	1,122,293
Note payable to a private foundation, 2.0% interest rate, principal and interest payable in monthly payments of \$1,500 starting in December 2014, through November 2017, with \$1 forgiven for every \$2 repaid, unsecured.	-	37,107
Note payable to Branch Banking and Trust, 4.25% interest rate, principal and interest payable in monthly payments of \$538 through January 2019, secured by 2010 Mitsubishi truck.	-	15,751
Note payable to Branch Banking and Trust, 4.00% interest rate, principal and interest payable in monthly payments of \$2,644 through April 2020, secured by five work trucks.	85,479	113,368
Note payable to Branch Banking and Trust, 2.75% interest rate, principal and interest payable in monthly payments of \$673 through March 2022, secured by 2016 Isuzu truck.	35,285	-
Revolving construction note payable to Wells Fargo Bank, with a limit of \$782,000, 3.78% interest rate, secured by certain land and construction in progress, with interest only payments until 9/10/15 (conversion date), at which time no more advances will be allowed. Payment of \$4,671 due at conversion date with monthly interest and principal payments made thereafter, amortized over a twenty year term through March 2020, at which time any remaining balance of principal and accrued interest will be due in full.	<u>735,289</u>	<u>762,353</u>
	<u>\$ 1,838,346</u>	<u>\$ 2,050,872</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H: NOTES PAYABLE (CONTINUED)

Habitat must comply with certain financial institution loan covenants. At June 30, 2017, Habitat was in compliance with all such covenants.

Future maturities of notes payable at June 30, 2017 are as follows:

2018	\$ 184,818
2019	167,301
2020	1,473,145
2021	7,817
2022	<u>5,265</u>
	<u>\$ 1,838,346</u>

Interest expense totaled \$66,547 and \$69,059 for the years ended June 30, 2017 and 2016, respectively.

NOTE I: NON-INTEREST BEARING NOTES PAYABLE

For some of the mortgage notes receivable discussed in Note F Habitat can apply for and receive a non-interest bearing note payable from the North Carolina Housing Finance Agency (NCHFA) for \$15,000 - \$45,000. The non-interest bearing notes payable are tied to specific mortgages and as Habitat collects the full monthly mortgage payments, a portion is remitted to NCHFA. Payments range from \$41 to \$150, and mature through July 2047. Interest rates used to discount the notes were determined based on market rates for similar types of notes on the origination dates. Rates consist of a range of 7.39% to 8.14%. Non-interest bearing notes payable are summarized as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Non-interest bearing notes payable	\$ 2,313,550	\$ 2,124,432
Less discount	<u>(1,052,130)</u>	<u>(946,679)</u>
Total	<u>\$ 1,261,420</u>	<u>\$ 1,177,753</u>

Future maturities of non-interest bearing notes payable as of June 30, 2017 are as follows:

2018	\$ 150,353
2019	150,353
2020	150,353
2021	150,353
2022	150,353
Thereafter	<u>1,561,785</u>
	<u>\$ 2,313,550</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Purpose restricted:		
House sponsorships	\$ 86,020	\$ 264,380
Capital campaign	232,974	335,498
Marketing manager	13,244	-
Jimmy Johnson scholarships	77,004	77,101
Construction	552,705	859,686
Training and surveys	26,770	26,770
Home repairs for veterans	17,500	-
Neighborhood revitalization	69,500	-
Other	19,100	23,005
Timing restricted:		
Blueprint breakfast pledges	78,483	-
BB&T charitable contributions	<u>25,000</u>	<u>50,000</u>
	<u>\$ 1,198,300</u>	<u>\$ 1,636,440</u>

Permanently restricted net assets consist of endowment fund investments (beneficial interest) to be held indefinitely, the income from which is expendable for Habitat operations.

NOTE K: DEFINED CONTRIBUTION PLAN

Eligible employees are rewarded with retirement benefits under Habitat’s 401(k) savings plan. Employees are eligible to participate in the plan if they have completed two months of service and have reached their twenty-first birthday. Under the plan, Habitat can, at its discretion, contribute an amount equal to a uniform percentage of participant salary deferrals. This percentage is set at 2% of eligible salary. Habitat’s contribution for the years ended June 30, 2017 and 2016 was \$17,377 and \$16,376, respectively.

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE L: COMMITMENTS

The principal commitments of Habitat are as follows:

Lease Commitments

Habitat leases ReStore facilities, and certain office equipment under operating leases expiring through October 2020. Habitat also leases equipment under capital leases expiring through April 2020. Future minimum lease payments under non-cancellable leases with initial or remaining terms of one year or more are summarized as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
2018	\$ 10,564	\$ 69,340
2019	7,549	69,340
2020	4,496	69,340
2021	-	33,340
2022	-	<u>15,340</u>
Total minimum lease payments	22,609	<u>\$ 256,700</u>
Less amount representing interest	<u>(346)</u>	
Present value of net minimum lease payments	<u>\$ 22,263</u>	

Rent expense under all operating leases for the years ended June 30, 2017 and 2016 was \$68,101 and \$32,780, respectively.

NOTE M: RELATED PARTY TRANSACTIONS

There are members of the board of directors and finance committee who are also officers in local construction and construction supply companies. During the year ended June 30, 2017, Habitat made payments to the companies for building construction and construction supplies that totaled \$202,306. The amount owed to these companies included in accounts payable at June 30, 2017 totaled \$29,974. During the year ended June 30, 2016, Habitat made payments to the companies for building construction and construction supplies that totaled \$138,855. The amount owed to these companies and included in accounts payable at June 30, 2016 totaled \$15,782. Management believes these transactions were consummated on terms equivalent to those that prevail in arm's-length transactions.

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE N: FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used by Habitat for assets measured at fair value:

- *Beneficial Interest In Assets Held By Others:* Equities and fixed income funds within the Winston-Salem Foundation (the Foundation) endowment pool are valued at the closing price reported on the active markets on which the individual securities are traded. Although the measurement is based on the unadjusted fair value of trust assets reported by the Foundation, Habitat has irrevocably assigned the monies to the Foundation and is only able to redeem accumulated income that the Foundation has transferred to the grantable funds accounts within the endowments. Therefore, Habitat considers the measurement of its beneficial interest in assets held by others to be a Level 3 measurement within the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Habitat believes the Foundation's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE N: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, Habitat's assets measured at fair value on a recurring basis as of June 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2017</u>				
Beneficial interest in assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,316</u>	<u>\$ 296,316</u>
<u>2016</u>				
Beneficial interest in assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,160</u>	<u>\$ 276,160</u>

The table below sets forth a summary of changes in the fair value of Habitat's level 3 assets for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 276,160	\$ 295,421
Interest and dividends, net	(2,793)	(2,745)
Unrealized gains (losses)	30,265	(5,029)
Distributions	<u>(7,316)</u>	<u>(11,487)</u>
Balance, end of year	<u>\$ 296,316</u>	<u>\$ 276,160</u>

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
SUPPLEMENTAL SCHEDULE OF HOME BUILDING ACTIVITY
For the Year Ended June 30, 2017

	<u>Actual number of houses</u>	<u>Cost</u>	<u>Construction site</u>	<u>Percentage completed at June 30, 2017</u>
Houses under construction as of June 30, 2016; sold during the year ended June 30, 2017	9	\$ 980,275	1648 Burton St. 1701 Burton Ct. 1708 N Cherry St. 1725 Burton Ct. 1741 Burton St. 1771 Richard Allen lane 1772 Richard Allen Lane 1815 Willow Oak Way 1855 Willow Oak Way	N/A
Houses in inventory as of June 30, 2016; sold during the year ended June 30, 2017	2	86,671	423 W 23rd St. 1410 Garfield Ave	N/A
Houses started and sold during the year ended June 30, 2017	4	418,700	2548 Manchester St. 4951 Trent Hill Drive 4972 Trent Hill Drive 909 Palmer Lane	N/A
		<u>\$ 1,485,646</u>		
Houses under construction as of June 30, 2017; as yet unsold	9	<u>\$ 395,326</u>	1915 Short St 1921 Short St 2532 Ansonia St. 1740 Richard Allen Lane 1752 Richard Allen Lane 1734 Burton St. 1742 Burton St. 1605 N Cherry St. 4983 Trent Hill	87% 83% 86% 65% 33% 33% 40% 1% 99%

HABITAT FOR HUMANITY OF FORSYTH COUNTY, INC.
SUPPLEMENTAL SCHEDULE OF HOME BUILDING ACTIVITY
For the Year Ended June 30, 2016

	Actual number of houses	Cost	Construction site	Percentage completed at June 30, 2016
Houses under construction as of June 30, 2015; sold during the year ended June 30, 2016	4	\$ 463,741	444 W 25th St. 1006 W 14th St. 1380 N Cherry St 1390 N Cherry St.	N/A
Houses in inventory as of June 30, 2015; sold during the year ended June 30, 2016	3	50,915	459 Troy Landing 240 W 23rd St. 1672 Burton Street	N/A
Houses started and sold during the year ended June 30, 2016	3	282,740	4910 Trent Hill 4959 Trent Hill 4983 Trent Hill	N/A
		<u>\$ 797,396</u>		
Houses under construction as of June 30, 2016; as yet unsold	9	<u>\$ 318,894</u>	423 W 23rd St 4951 Trent Hill 4972 Trent Hill 1771 Richard Allen Lane 1772 Richard Allen Lane 909 Palmer Lane 1855 Willow Oak Way 1815 Willow Oak Way 1708 N Cherry St.	100% 79% 37% 45% 28% 31% 8% 10% 35%