

**HABITAT FOR HUMANITY NEW YORK CITY, INC.  
AND AFFILIATES**

**Consolidated Financial Statements  
For the Years Ended June 30, 2017 and 2016  
With Independent Auditor's Report**



**MITCHELL TITUS**  
ACHIEVING EXCELLENCE TOGETHER

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Consolidated Financial Statements  
For the Years Ended June 30, 2017 and 2016

**TABLE OF CONTENTS**

|  | <b><u>Page(s)</u></b> |
|--|-----------------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>            | 1–2                   |
| <b>CONSOLIDATED FINANCIAL STATEMENTS</b>       |                       |
| Consolidated Statements of Financial Position  | 3–4                   |
| Consolidated Statements of Activities          | 5–6                   |
| Consolidated Statements of Functional Expenses | 7–8                   |
| Consolidated Statements of Cash Flows          | 9                     |
| Notes to Consolidated Financial Statements     | 10–29                 |



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Habitat for Humanity New York City, Inc. and Affiliates

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Habitat for Humanity New York City, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Habitat for Humanity New York City, Inc. and Affiliates as of June 30, 2017 and 2016, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mitchell Titus, LLP*

December 22, 2017

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Consolidated Statements of Financial Position  
As of June 30, 2017 and 2016

|   | <u>2017</u>                 | <u>2016</u>                 |
|---|-----------------------------|-----------------------------|
| <b>ASSETS</b>   |                             |                             |
| <i>Current assets</i>   |                             |                             |
| Cash and cash equivalents   | \$ 3,073,964                | \$ 4,120,192                |
| Investments - Note 3  | 2,112,058                   | 4,124,140                   |
| Investment in limited partnership at fair value - Note 7                              | 3,007,072                   | -                           |
| Accounts receivable (net of allowance for bad debts)                                  | 803,412                     | 110,000                     |
| Mortgages receivable—current portion<br>(net allowance for bad debts) - Note 4        | 403,210                     | 369,670                     |
| ReStore inventory   | 53,446                      | 80,027                      |
| Prepaid expenses and other assets   | 320,331                     | 181,240                     |
| Total current assets  | <u>9,773,493</u>            | <u>8,985,269</u>            |
| <i>Non-current assets</i>   |                             |                             |
| Restricted cash   | 1,141,844                   | 2,025,179                   |
| Family members' savings plan contributions  | -                           | 41,222                      |
| Homeowners' escrow and reserve funds  | 16,767                      | 26,226                      |
| Investments - Note 3  | 1,000,000                   | 1,000,000                   |
| Mortgages receivable—long-term portion (net of<br>unamortized discount) - Note 4      | 3,846,048                   | 4,110,227                   |
| Projects under development - Note 5   | 15,996,752                  | 7,815,526                   |
| Property and equipment (net of accumulated<br>depreciation and amortization) - Note 6 | 307,361                     | 306,602                     |
| Security deposit  | 27,887                      | 27,887                      |
| Total non-current assets  | <u>22,336,659</u>           | <u>15,352,869</u>           |
| <b>Total assets</b>   | <u><u>\$ 32,110,152</u></u> | <u><u>\$ 24,338,138</u></u> |

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

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Consolidated Statements of Financial Position (*continued*)  
As of June 30, 2017 and 2016

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| <b>LIABILITIES AND NET ASSETS</b>                                 |                      |                      |
| <i>Current liabilities</i>  |                      |                      |
| Accounts payable and accrued expenses                             | \$ 3,626,358         | \$ 1,056,242         |
| Loan payable  | 789,787              | -                    |
| Line of credit  | -                    | 2,000,000            |
| Total current liabilities   | <u>4,416,145</u>     | <u>3,056,242</u>     |
| <i>Non-current liabilities</i>                                    |                      |                      |
| Loan payable  | 4,792,743            | -                    |
| Deferred revenue - Note 8   | 2,405,504            | 355,996              |
| Partnership distribution in excess of equity interest -<br>Note 7 | -                    | 198,324              |
| Family members' savings plan contributions                        | -                    | 2,175                |
| Deferred rent - Note 12   | 10,223               | 12,669               |
| Total non-current liabilities                                     | <u>7,208,470</u>     | <u>569,164</u>       |
| Total liabilities   | <u>11,624,615</u>    | <u>3,625,406</u>     |
| <i>Commitments - Note 12</i>                                      |                      |                      |
| <i>Net assets</i>   |                      |                      |
| <i>Unrestricted</i>   |                      |                      |
| Board-designated - Note 9   | 1,000,000            | 1,000,000            |
| Undesignated  | 18,660,880           | 19,642,732           |
| <i>Non-controlling interest</i>                                   | 795,357              | -                    |
| Total unrestricted  | <u>20,456,237</u>    | <u>20,642,732</u>    |
| <i>Temporarily restricted - Note 10</i>                           | 29,300               | 70,000               |
| Total net assets  | <u>20,485,537</u>    | <u>20,712,732</u>    |
| <b>Total liabilities and net assets</b>                           | <u>\$ 32,110,152</u> | <u>\$ 24,338,138</u> |

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

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Consolidated Statement of Activities  
For the Year Ended June 30, 2017

|   | <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>Total</u>         |
|---|----------------------|-----------------------------------|----------------------|
| <b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>   |                      |                                   |                      |
| <i>Support</i>  |                      |                                   |                      |
| Contributions (including in-kind contributions of \$962,216 and contributed services of \$25,000) | \$ 3,394,823         | \$ 1,595,440                      | \$ 4,990,263         |
| Special events  | 236,135              | -                                 | 236,135              |
| <i>Revenue</i>  |                      |                                   |                      |
| <i>Sale of housing units</i>  |                      |                                   |                      |
| Proceeds from sales   | 1,150,150            | -                                 | 1,150,150            |
| Government subsidies - Note 8   | 440,000              | -                                 | 440,000              |
| Developer's fee   | -                    | -                                 | -                    |
| ReStore sales   | 523,598              | -                                 | 523,598              |
| Investment return   | 13,937               | -                                 | 13,937               |
| Mortgage discount amortization  | 382,283              | -                                 | 382,283              |
| Fair value of equity interest in limited partnership - Note 7                                     | 2,831,432            | -                                 | 2,831,432            |
| Other income-net  | 664,305              | -                                 | 664,305              |
| Total support and revenue   | 9,636,663            | 1,595,440                         | 11,232,103           |
| Net assets released from restrictions - Note 10   | 1,636,140            | (1,636,140)                       | -                    |
| Total support, revenue and reclassifications  | 11,272,803           | (40,700)                          | 11,232,103           |
| <b>EXPENSES</b>   |                      |                                   |                      |
| <i>Program services</i>   |                      |                                   |                      |
| Cost of housing units sold - Note 5   | 2,438,988            | -                                 | 2,438,988            |
| Personnel and other expenses  | 5,517,139            | -                                 | 5,517,139            |
| Total program services  | 7,956,127            | -                                 | 7,956,127            |
| <i>Supporting services</i>  |                      |                                   |                      |
| Management and general  | 2,188,685            | -                                 | 2,188,685            |
| Fundraising   | 1,314,486            | -                                 | 1,314,486            |
| Total supporting services   | 3,503,171            | -                                 | 3,503,171            |
| Total expenses  | 11,459,298           | -                                 | 11,459,298           |
| Change in net assets  | (186,495)            | (40,700)                          | (227,195)            |
| Net assets, at beginning of year  | 20,642,732           | 70,000                            | 20,712,732           |
| <b>Net assets, at end of year</b>   | <b>\$ 20,456,237</b> | <b>\$ 29,300</b>                  | <b>\$ 20,485,537</b> |

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

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Consolidated Statement of Activities (*continued*)  
For the Year Ended June 30, 2016

|  | <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>Total</u>         |
|--|----------------------|-----------------------------------|----------------------|
| <b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>  |                      |                                   |                      |
| <i>Support</i>   |                      |                                   |                      |
| Contributions (including in-kind contributions of<br>\$347,038 and contributed services of \$31,851) | \$ 2,151,026         | \$ 1,557,792                      | \$ 3,708,818         |
| Special events   | -                    | 70,000                            | 70,000               |
| <i>Revenue</i>   |                      |                                   |                      |
| <i>Sale of housing units</i>   |                      |                                   |                      |
| Proceeds from sales  | 3,161,644            | -                                 | 3,161,644            |
| Government subsidies - Note 8  | 1,368,011            | -                                 | 1,368,011            |
| Developer's fee  | 34,725               | -                                 | 34,725               |
| ReStore sales  | 336,423              | -                                 | 336,423              |
| Investment return  | 71,726               | -                                 | 71,726               |
| Mortgage discount amortization   | 541,337              | -                                 | 541,337              |
| Equity interest in limited partnership - Note 7  | (20,171)             | -                                 | (20,171)             |
| Other income-net   | 130,307              | -                                 | 130,307              |
| Total support and revenue  | 7,775,028            | 1,627,792                         | 9,402,820            |
| Net assets released from restrictions - Note 10  | 1,638,854            | (1,638,854)                       | -                    |
| Total support, revenue and reclassifications   | 9,413,882            | (11,062)                          | 9,402,820            |
| <b>EXPENSES</b>  |                      |                                   |                      |
| <i>Program services</i>  |                      |                                   |                      |
| Cost of housing units sold - Note 5  | 4,233,045            | -                                 | 4,233,045            |
| Personnel and other expenses   | 4,616,540            | -                                 | 4,616,540            |
| Total program services   | 8,849,585            | -                                 | 8,849,585            |
| <i>Supporting services</i>   |                      |                                   |                      |
| Management and general   | 1,787,758            | -                                 | 1,787,758            |
| Fundraising  | 1,346,646            | -                                 | 1,346,646            |
| Total supporting services  | 3,134,404            | -                                 | 3,134,404            |
| Total expenses   | 11,983,989           | -                                 | 11,983,989           |
| Change in net assets   | (2,570,107)          | (11,062)                          | (2,581,169)          |
| Net assets, at beginning of year   | 23,212,839           | 81,062                            | 23,293,901           |
| <b>Net assets, at end of year</b>  | <b>\$ 20,642,732</b> | <b>\$ 70,000</b>                  | <b>\$ 20,712,732</b> |

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

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2017

|   | <u>Program<br/>Services</u> | <u>Supporting Services</u>        |                     | <u>Total</u>         |
|---|-----------------------------|-----------------------------------|---------------------|----------------------|
|   |                             | <u>Management<br/>and General</u> | <u>Fundraising</u>  |                      |
| <i>Cost of housing units sold</i>   |                             |                                   |                     |                      |
| Projects under development  | <u>\$ 2,438,988</u>         | <u>\$ -</u>                       | <u>\$ -</u>         | <u>\$ 2,438,988</u>  |
| <i>Personnel expenses</i>   |                             |                                   |                     |                      |
| Salaries and wages  | 2,159,777                   | 980,992                           | 641,905             | 3,782,674            |
| Payroll taxes and fringe benefits   | <u>457,242</u>              | <u>246,687</u>                    | <u>141,192</u>      | <u>845,121</u>       |
| Total personnel costs   | <u>2,617,019</u>            | <u>1,227,679</u>                  | <u>783,097</u>      | <u>4,627,795</u>     |
| <i>Other expenses</i>   |                             |                                   |                     |                      |
| Americorps/Vista program expenses   | 103,972                     | -                                 | -                   | 103,972              |
| Professional fees   | 186,866                     | 323,106                           | -                   | 509,972              |
| Occupancy costs   | 315,151                     | 38,817                            | 33,463              | 387,431              |
| Insurance   | 80,771                      | 31,191                            | -                   | 111,962              |
| Office expenses   | 73,975                      | 50,713                            | 2,232               | 126,920              |
| Computer maintenance and software   | 77,272                      | 45,992                            | 48,968              | 172,232              |
| Advertising   | 28,739                      | 223,531                           | 3,580               | 255,850              |
| Staff training and education  | 41,404                      | 15,473                            | 6,472               | 63,349               |
| Home owner education, credit reports                                      | 16,878                      | -                                 | -                   | 16,878               |
| Postage   | 2,999                       | 11,309                            | 2,489               | 16,797               |
| Common charges  | 8,109                       | 1,331                             | 922                 | 10,362               |
| Printing and duplicating  | 5,937                       | 11,745                            | 1,057               | 18,739               |
| Special event indirect costs  | 10,115                      | 3,496                             | 89,124              | 102,735              |
| Repairs and maintenance   | 554,363                     | 6,458                             | -                   | 560,821              |
| Telephone   | 56,125                      | 3,698                             | 10,744              | 70,567               |
| Travel and meetings   | 104,942                     | 15,413                            | 2,523               | 122,878              |
| Direct mail and newsletters - printing,<br>supplies, postage and delivery | -                           | 38,020                            | 262,836             | 300,856              |
| Public relations  | -                           | 92,318                            | -                   | 92,318               |
| Tithe   | 84,570                      | -                                 | -                   | 84,570               |
| Depreciation and amortization   | 20,836                      | 46,827                            | -                   | 67,663               |
| HFHI fees   | 25,000                      | -                                 | -                   | 25,000               |
| ReStore cost of sales   | 523,598                     | -                                 | -                   | 523,598              |
| ReStore sales tax   | 40,483                      | -                                 | -                   | 40,483               |
| In-kind   | -                           | -                                 | 30,016              | 30,016               |
| Loss on project development   | 174,998                     | -                                 | -                   | 174,998              |
| Legal expense   | 300,000                     | -                                 | -                   | 300,000              |
| Miscellaneous   | 63,017                      | 1,568                             | 36,963              | 101,548              |
| Total other expenses  | <u>2,900,120</u>            | <u>961,006</u>                    | <u>531,389</u>      | <u>4,392,515</u>     |
| <b>Total expenses</b>   | <u>\$ 7,956,127</u>         | <u>\$ 2,188,685</u>               | <u>\$ 1,314,486</u> | <u>\$ 11,459,298</u> |

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

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Consolidated Statement of Functional Expenses (*continued*)  
For the Year Ended June 30, 2016

|  | Program<br>Services | Supporting Services       |                     | Total                |
|--|---------------------|---------------------------|---------------------|----------------------|
|  |                     | Management<br>and General | Fundraising         |                      |
| <i>Cost of housing units sold</i>                                      |                     |                           |                     |                      |
| Projects under development   | \$ 4,233,045        | \$ -                      | \$ -                | \$ 4,233,045         |
| <i>Personnel expenses</i>  |                     |                           |                     |                      |
| Salaries and wages   | 1,866,677           | 773,262                   | 455,088             | 3,095,027            |
| Payroll taxes and fringe benefits                                      | 388,459             | 243,815                   | 93,457              | 725,731              |
| Total personnel costs  | 2,255,136           | 1,017,077                 | 548,545             | 3,820,758            |
| <i>Other expenses</i>  |                     |                           |                     |                      |
| Americorps/Vista program expenses                                      | 144,327             | -                         | 1,261               | 145,588              |
| Employee relocation  | 388                 | 28,000                    | -                   | 28,388               |
| Professional fees (including contributed services of \$20,000)         | 125,882             | 285,318                   | 129,692             | 540,892              |
| Occupancy costs  | 239,198             | 42,809                    | 21,235              | 303,242              |
| Insurance  | 78,796              | 24,024                    | -                   | 102,820              |
| Office expenses  | 80,302              | 54,793                    | 3,887               | 138,982              |
| Computer maintenance and software                                      | 83,735              | 77,714                    | 55,501              | 216,950              |
| Advertising  | 58,936              | 4,734                     | 3,112               | 66,782               |
| Staff training and education   | 25,682              | 14,594                    | 4,705               | 44,981               |
| Home owner education, credit reports                                   | 3,031               | -                         | -                   | 3,031                |
| Postage  | 5,445               | 7,153                     | 3,286               | 15,884               |
| Common charges   | 27,659              | 6,521                     | 199                 | 34,379               |
| Printing and duplicating   | 1,641               | 2,261                     | 8,936               | 12,838               |
| Special event indirect costs   | 9,778               | -                         | 85,238              | 95,016               |
| Repairs and maintenance (including contributed services of \$11,851)   | 769,345             | -                         | 1,414               | 770,759              |
| Telephone  | 44,434              | 5,743                     | 5,092               | 55,269               |
| Travel and meetings  | 93,437              | 12,764                    | 14,582              | 120,783              |
| Direct mail and newsletters - printing, supplies, postage and delivery | -                   | -                         | 237,237             | 237,237              |
| Public relations   | 619                 | 78,332                    | 68,114              | 147,065              |
| Tithe  | 78,000              | -                         | -                   | 78,000               |
| Depreciation and amortization  | 19,087              | 74,350                    | -                   | 93,437               |
| Bad debts expense  | -                   | 9,140                     | 56,202              | 65,342               |
| HFHI fees  | 25,000              | -                         | -                   | 25,000               |
| ReStore cost of sales  | 326,285             | -                         | -                   | 326,285              |
| ReStore sales tax  | 27,437              | -                         | -                   | 27,437               |
| Real estate transfer tax   | 21,255              | -                         | -                   | 21,255               |
| Miscellaneous  | 71,705              | 42,431                    | 98,408              | 212,544              |
| Total other expenses   | 2,361,404           | 770,681                   | 798,101             | 3,930,186            |
| <b>Total expenses</b>  | <b>\$ 8,849,585</b> | <b>\$ 1,787,758</b>       | <b>\$ 1,346,646</b> | <b>\$ 11,983,989</b> |

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

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2017 and 2016

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| <b>CASH FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Change in net assets  | \$ (227,196)        | \$ (2,581,169)      |
| <i>Adjustments to reconcile change in net assets to net cash used in operations</i> |                     |                     |
| Equity interest in limited partnership  | (198,324)           | 20,171              |
| Fair value of equity interest in limited partnership                                | (3,007,072)         | -                   |
| Depreciation and amortization   | 67,663              | 93,437              |
| Bad debts expense   | -                   | 65,342              |
| Unrealized (gain) loss on investments   | 18,381              | (25,457)            |
| Mortgage discount amortization  | (382,283)           | (541,337)           |
| <i>Changes in operating assets and liabilities</i>                                  |                     |                     |
| Accounts receivable   | (693,412)           | (47,149)            |
| Contributions receivable  | -                   | 13,106              |
| Prepaid expenses and other assets   | (139,091)           | 12,717              |
| Family members' savings plan contributions, homeowners' escrow and reserve funds    | 50,681              | 32,055              |
| Projects under development  | (8,181,226)         | (2,139,010)         |
| ReStore inventory   | 26,581              | 110,849             |
| Accounts payable and accrued expenses   | 2,570,116           | 226,416             |
| Deferred revenue  | 2,049,508           | (356,135)           |
| Deferred developer's fee  | -                   | (34,725)            |
| Family members' savings plan contributions, homeowners' escrow and reserve funds    | (2,175)             | (97,328)            |
| Deferred rent   | (2,446)             | (23,801)            |
| Net cash used in operating activities   | <u>(8,050,295)</u>  | <u>(5,272,018)</u>  |
| <b>CASH FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Acquisition of furniture and equipment  | (87,232)            | (1,850)             |
| Proceeds from sale of furniture and equipment                                       | 18,810              | -                   |
| Collections on mortgages receivable   | 612,922             | 965,692             |
| Distributions received from limited partnership                                     | -                   | 36,813              |
| Maturity of investments   | 1,993,702           | 2,043,064           |
| Net cash provided by investing activities   | <u>2,538,202</u>    | <u>3,043,719</u>    |
| <b>CASH FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Borrowing (repaying) under line of credit   | (2,000,000)         | 2,000,000           |
| Borrowing under construction loans  | 5,582,530           | -                   |
| Net cash provided by financing activities   | <u>3,582,530</u>    | <u>2,000,000</u>    |
| Net decrease in cash and cash equivalents   | (1,929,563)         | (228,299)           |
| Cash and cash equivalents, beginning of year  | 6,145,371           | 6,373,670           |
| <b>Cash and cash equivalents, end of year</b>                                       | <u>\$ 4,215,808</u> | <u>\$ 6,145,371</u> |
| <i>Cash and cash equivalents at end of year consisted of:</i>                       |                     |                     |
| Unrestricted  | \$ 3,073,964        | \$ 4,120,192        |
| Restricted  | 1,141,844           | 2,025,179           |
| <b>Total</b>  | <u>\$ 4,215,808</u> | <u>\$ 6,145,371</u> |
| Cash paid during the year for interest  | <u>\$ 210,802</u>   | <u>\$ 7,607</u>     |

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

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 1 ORGANIZATION

Habitat for Humanity New York City, Inc. (Habitat-NYC) transforms lives and New York City by building quality homes for families in need and uniting all New Yorkers around the cause of affordable housing. Habitat-NYC's work includes the new construction of multi-family homes, rehabilitation of single- and multi-family homes, and community improvement projects, including painting and rehabilitation of community and senior centers. Habitat-NYC also advocates for housing policies that benefit low-income people. Generally, each housing project is undertaken under a separate entity organized under the New York State Private Housing Finance Law and New York State Not-For-Profit Corporation Law, with Habitat-NYC being the sole member. Habitat-NYC's housing projects are undertaken by the following entities:

- Habitat for Humanity Housing Development Fund Company (HDFC)
- Hart Lafayette Housing Development Fund Corporation (Hart-Lafayette)
- Habitat for Humanity St. John's Housing Development Fund Corporation (St. John's)
- Habitat for Humanity Bed-Stuy Homes HDFC (Bed-Stuy I)
- Habitat for Humanity Bed-Stuy Homes II HDFC (Bed-Stuy II)
- Habitat for Humanity Bed-Stuy Homes III HDFC (Bed-Stuy III)
- Habitat for Humanity Bed-Stuy Homes IV HDFC (Bed-Stuy IV)
- Habitat for Humanity Bed-Stuy Homes V HDFC (Bed-Stuy V)
- Habitat for Humanity Bed-Stuy Homes VI HDFC (Bed-Stuy VI)
- Habitat for Humanity Dean Street Housing Development Fund Corporation (Dean Street)
- Habitat for Humanity Latent Thomas Boyland Street Housing Development Fund Corporation (Latent)
- Habitat for Humanity Almat Tilden Street Housing Development Fund Corporation (Almat Tilden)
- Habitat for Humanity Queens Phase II Housing Development Fund Corporation (Queens Phase II)
- Ralph Avenue I Housing Development Fund Corporation (Ralph Avenue I)
- HFH NYC GC LLC (GC)
- Habitat Latent LLC
- AG HABITAT TILDEN STREET LLC
- Habitat for Humanity NYC Fund Inc.

Habitat-NYC and HDFC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and have been classified as publicly supported organizations as described in Code Sections 509(a)(1) and 170(b)(a)(vi). Further, Hart-Lafayette, Bed-Stuy I, Bed-Stuy II, Bed-Stuy III, Bed-Stuy IV, Bed-Stuy V, Bed-Stuy VI, St. John's, Queens Phase II, Latent, Ralph Avenue I and Dean Street are exempt from federal income taxes under Section 501(c)(4) of the Code.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 1 ORGANIZATION *(continued)*

Habitat-NYC expects to receive the determination letter from the Internal Revenue Service (the IRS) for Almat Tilden which was established to be tax exempt under Section 501(c)(4) of the Code. GC is a domestic single member limited liability company (SMLLC) set up in the state of New York to act as a general contractor on some Habitat-NYC construction projects. Habitat Latent LLC and AG Habitat Tilden Street LLC are for profit entities set up to sell units from the SEED and Sydney projects, respectively. Habitat for Humanity NYC Fund, Inc. has applied for the tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

On January 19, 2016, Habitat-NYC formed AG Habitat Tilden Street LLC (“LLC”) for the purpose of constructing and selling 57 units of affordable housing for the Sydney House project. On May 11, 2016, Habitat-NYC and Almat Group LLC executed an Operating Agreement for the LLC, which provides Habitat-NYC with a 51% ownership interest and Almat Group LLC with a 49% ownership interest. On May 12, 2016, Habitat for Humanity Almat Tilden Street HDFC (“Almat Tilden”) acquired title for the land and improvements for the Sydney House project and executed a Nominee Agreement with the LLC that provides the LLC authority to make decisions on behalf of Almat Tilden. Additionally, on the same date, Habitat-NYC originated a Sponsor Mortgage and Note in the amount of \$1,969,000 for which the LLC and Almat Tilden were collectively the mortgagor. The Sponsor Mortgage and Note was repaid on November 22, 2016.

On April 1, 2015, Habitat-NYC and Latent Productions LLC executed a Joint Venture Agreement (“JVA”) for the purposes of constructing and selling 25 units of affordable housing for the SEED project. The JVA provides Habitat-NYC a 65% ownership interest and Latent Productions LLC with a 35% ownership interest in a special purpose entity formed for the project.

Habitat-NYC is an affiliate of Habitat for Humanity International, Inc. (HFHI), which is based in Americus, Georgia. As discussed in Notes 2 and 8, certain housing projects of Habitat-NYC receive government subsidies, which include funds from the U.S. Department of Housing and Urban Development (U.S. HUD) through HFHI under the Neighborhood Stabilization Program, Part 2 (NSP2).

Habitat-NYC contributes to HFHI’s tithing and stewardship programs. Tithe contributions amounted to approximately \$85,000 and \$78,000 in fiscal years 2017 and 2016, respectively, while stewardship contributions amounted to 25,000 and \$25,000 in fiscal years 2017 and 2016, respectively.

On February 9, 2017, Habitat-NYC formed Habitat for Humanity NYC Fund, Inc. (the Fund) for the purpose of promoting community development and homeownership and to expanding the availability of affordable housing by providing financing and technical assistance and other educational and development services. The Fund intends to apply for Community Development Financial Institution designation from the U.S. Department of the Treasury.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The accompanying consolidated financial statements consist of the accounts of Habitat-NYC and its affiliates (collectively, Habitat), and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). All intercompany account balances and transactions have been eliminated.

#### Use of Estimates

The preparation of financial statements in accordance 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

#### Net Asset Classifications

Habitat's net assets have been presented and classified as unrestricted and temporarily restricted based on the existence or absence of donor-imposed restrictions. Habitat-NYC does not have permanently restricted net assets.

*Unrestricted*—Resources that are not subject to donor restrictions. Unrestricted amounts may be designated by the Board of Directors (the Board), or management at the Board's direction, to cover any purposes determined by Habitat-NYC.

*Temporarily restricted*—Funds that Habitat-NYC may use in accordance with donors' restrictions for specific purposes or upon the passage of time (see Note 10).

*Non-controlling interest*—the equity in Habitat Latent LLC and AG Habitat Tilden Street LLC not attributable, directly or indirectly, to a Habitat-NYC.

As Controlling and Managing Member of the partnerships with Almat Group LLC and Latent Productions LLC (the Partners), Habitat-NYC consolidates the partnerships into its financial statements. The non-controlling interest portion of net assets reflects the amount due to the Partners at end of the life of the project.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue Recognition

*Contributions*—All unconditional contributions are recorded at fair value as revenue when received.

The fair value of long-term contributions receivable is measured based on the present value of future cash flows, with consideration given to the expected possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. Fair value measurements also consider donors' credit risk.

All contributions are considered available for unrestricted use unless restricted specifically by the donor. Habitat-NYC records contributions as temporarily restricted net assets if they are received with donor stipulations that limit their use either through purpose or time. When donor restrictions expire (i.e., when a time or purpose restriction is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

*Government subsidies*—Certain housing projects of Habitat-NYC receive government subsidies, such as funds from the U.S. HUD through HFHI under NSP2, and capital project funds awarded by the State of New York and City of New York or for the sale of property received from the State of New York or its agencies (the State) and the City of New York or its agencies (the City) at substantially below fair value. Agencies of the State include the New York State Affordable Housing Corporation (AHC). Agencies of the City include the New York City Department of Housing Preservation and Development (HPD). Generally, the ability to utilize these subsidies is subject to the requirement that housing units are sold only to qualified purchasers, primarily families that do not exceed household income levels prescribed under the terms of the government subsidies. Accordingly, NSP2 funds, cost reimbursements or property received with such requirement are recorded as deferred revenue and are recognized as income when the related housing units are sold to such qualified purchasers.

*Deferred developer's fee*—Developer's fees received are deferred and recognized as income when the related housing units are sold to qualified purchasers.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Contributed Services

All of Habitat-NYC's Board members have volunteered their time to serve on the Board of Directors. There are partner families (prospective qualified purchasers) and other volunteers who have donated significant time to Habitat-NYC in project construction and its related programs. The value of this contributed time is not reflected in these consolidated financial statements since these services do not meet the following criteria for recognition under GAAP: (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills, and (c) would typically need to be purchased if they were not provided by donation.

Contributed services received and recorded during fiscal 2017 and 2016 were not material.

#### Functional Allocation of Expenses

Costs that are specifically identifiable to programs and supporting services (to fundraising or to management and administration) are charged directly to such functions. Costs incurred for both programs and supporting services are allocated based on certain factors deemed reasonable by management.

#### Cash and Cash Equivalents

Habitat-NYC considers money market investments and certificates of deposits with a maturity of three months or less on the date of acquisition to be cash equivalents.

Habitat-NYC maintains its cash in bank deposit accounts that may exceed federally insured limits. Habitat-NYC has not experienced any losses in such accounts. At June 30, 2017, approximately 49% of unrestricted and restricted cash was held by two financial institutions.

Restricted cash consists primarily of funds set aside by Habitat-NYC for projects under development and deposits required under the terms of various project funding agreements.

#### Allowance for Doubtful Accounts

Habitat-NYC evaluates the collectability of accounts receivable and contributions receivable and provides an allowance for any losses based on collection history and other factors determined by management. Write-offs are charged against the allowance. The allowance for uncollectible accounts receivable amounted to \$9,000 at June 30, 2016.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Investments

Investments consist of fixed-income mutual funds and certificates of deposit with maturities in excess of 90 days from the dates of purchase. The mutual funds are carried at fair value based on quoted market prices. The certificates of deposit are carried at cost, which approximates fair value. Dividends and interest income are recognized when earned and are reported as revenue in the consolidated statements of activities. Realized and unrealized gains and losses on fixed-income mutual funds are reported as investment return in the consolidated statements of activities.

#### Mortgages Receivable

Mortgages receivable do not bear interest and are reported at present value, using a discount rate of 8.00%.

Management considers a loan to be delinquent or past due if a borrower fails to make a contractually scheduled principal payment that is over 120 days past due. Habitat-NYC's management periodically reviews mortgage balances to determine whether an allowance for bad debts should be established for any amounts determined to be unrecoverable. Factors considered by management include principal collections experience, collateral value, borrowers' financial conditions, and other factors.

Habitat-NYC considers a loan to be impaired when it is "probable" that repayment obligations due according to the contractual terms will not be met. The term "probable" is used consistently within Accounting Standards Codification (ASC) 450, *Contingencies*. In this instance, the mortgage carrying value is written down by management, if deemed necessary, based on their review of the collateral and other considerations. The receivables are collateralized by mortgage liens on the underlying housing units.

#### ReStore Inventory

The ReStore is set-up to receive donated construction materials, home furnishings, tools, and similar items. Habitat-NYC stores and sells these goods to the public at discount prices. This raises money for Habitat-NYC's programs and makes discounted material available for the public. These are recorded as in-kind contributions upon receipt at the estimated realizable value.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Interest in Limited Partnership

The accompanying consolidated financial statements for the year ended June 30, 2016, include Habitat-NYC's interest in a limited partnership (the partnership) that holds a property used for a senior housing project in the State of New Jersey. The interest in the partnership was not reported prior to fiscal year ended June 30, 2016, since financial information for the partnership was unavailable and there were ongoing arbitration proceedings among the partners in the partnership.

Habitat-NYC applied the equity method in accounting for its interest in the partnership based on the partnership's most recent audited financial statements, which are reported on a calendar year basis, and distributions received from the partnership during its fiscal year. At June 30, 2017, Habitat-NYC elected to record its interest in the limited partnership at fair value as provided for under ASC 825-10. The fair value was based on the net sales proceeds received by Habitat-NYC subsequent to June 30, 2017.

#### Projects under Development

Projects under development are recorded at the lower of cost or net realizable value. Project costs include expenditures to acquire properties or, if purchased at below fair value, the fair value at the time of receipt, environmental reviews and other activities to prepare the properties for construction, project construction costs and interest and fees incurred to finance the projects.

The total cost of development is funded by proceeds from the sale of the housing units, government subsidies for the housing project, and project-restricted private contributions. Project costs funded by project-restricted private contributions are recognized as program expense (within the costs of housing units sold).

#### Property and Equipment

Property and equipment are carried at cost or, if donated, at fair value at the time of receipt. Property and equipment other than leasehold improvements are depreciated on the straight-line basis over the respective estimated useful lives of the assets, which range from three to five years. Leasehold improvements are amortized over the term of the related lease or the estimated useful life of the improvements, whichever is shorter.

#### Rent Expense

Rent expense is recorded on the straight-line basis over the term of the lease. The difference between rental payments made under the leases and rent expense calculated on the straight-line basis is recorded as prepaid rent or deferred rent liability.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Income Taxes

As described in Note 1, Habitat-NYC, HDFC, and Hart-Lafayette are exempt from federal income taxes. They are also exempt from state income taxes. All other entities that comprise Habitat-NYC were established to be tax-exempt organizations under Code Section 501(c)(4).

Management evaluated Habitat-NYC's tax positions and concluded that, as of June 30, 2017, there were no uncertain tax positions taken or expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying consolidated financial statements.

Habitat-NYC is subject to audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that Habitat-NYC is no longer subject to income tax examinations by federal, state or local tax authorities for years ended on or prior to June 30, 2013.

#### Reclassifications

Certain prior-year amounts have been reclassified to conform with the current year presentation.

### NOTE 3 FAIR VALUE MEASUREMENTS

Habitat-NYC accounts for fair value measurements under the accounting standard that establishes a hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value.

*Level 1:* Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

*Level 2:* Measurements that are derived indirectly from observable inputs or from quoted prices from markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks and others.

*Level 3:* Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Notes to Consolidated Financial Statements  
June 30, 2017 and 2016

**NOTE 3 FAIR VALUE MEASUREMENTS** *(continued)*

The following tables provide the fair value hierarchy of Habitat-NYC's investments at June 30, 2017 and 2016. There are no other assets or liabilities that are required to be measured at fair value.

|  | <u>Level 1</u>             | <u>Level 2</u>             | <u>Level 3</u>             | <u>Total</u>               |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| <i>June 30, 2017</i>                       |                            |                            |                            |                            |
| Interest bearing cash and cash equivalents | \$ 2,660,958               | \$ -                       | \$ -                       | \$ 2,660,958               |
| Investments                                |                            |                            |                            |                            |
| <i>Fixed income mutual funds</i>           |                            |                            |                            |                            |
| Short duration bond funds                  | 1,545,929                  | -                          | -                          | 1,545,929                  |
| U.S. Treasury and agency funds             | 1,111,734                  | -                          | -                          | 1,111,734                  |
| Certificates of deposit                    | -                          | 454,395                    | -                          | 454,395                    |
| Investment in limited partnership          | -                          | -                          | 3,007,072                  | 3,007,072                  |
| Total investments                          | <u>2,657,663</u>           | <u>454,395</u>             | <u>3,007,072</u>           | <u>6,119,130</u>           |
| <b>Total</b>                               | <b><u>\$ 5,318,621</u></b> | <b><u>\$ 454,395</u></b>   | <b><u>\$ 3,007,072</u></b> | <b><u>\$ 8,780,088</u></b> |
| <i>June 30, 2016</i>                       |                            |                            |                            |                            |
| Interest bearing cash and cash equivalents | \$ 2,165,577               | \$ -                       | \$ -                       | \$ 2,165,577               |
| Investments                                |                            |                            |                            |                            |
| <i>Fixed income mutual funds</i>           |                            |                            |                            |                            |
| Short duration bond funds                  | 1,546,949                  | -                          | -                          | 1,546,949                  |
| U.S. Treasury and agency funds             | 1,112,456                  | -                          | -                          | 1,112,456                  |
| Certificates of deposit                    | -                          | 2,464,735                  | -                          | 2,464,735                  |
| Total investments                          | <u>2,659,405</u>           | <u>2,464,735</u>           | <u>-</u>                   | <u>5,124,140</u>           |
| <b>Total</b>                               | <b><u>\$ 4,824,982</u></b> | <b><u>\$ 2,464,735</u></b> | <b><u>\$ -</u></b>         | <b><u>\$ 7,289,717</u></b> |

The investment return in the consolidated statements of activities consisted of interest and dividend income of \$32,318 and \$46,269 during fiscal years 2017 and 2016, respectively, and an unrealized loss on investments of \$18,381 and an unrealized gain on investments of \$25,457 during fiscal years 2017 and 2016, respectively.

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Notes to Consolidated Financial Statements  
June 30, 2017 and 2016

**NOTE 4 MORTGAGES RECEIVABLE**

Prior to 2008, Habitat-NYC originated interest-free mortgages to finance the sale of housing units to qualified purchasers. Discounted at an annual rate of 8% a year, the mortgage receivables at June 30, 2017 and 2016, consisted of the following:

|   | June 30, 2017    |                  |                 |                  |                   |                   |                     |                     |
|---|------------------|------------------|-----------------|------------------|-------------------|-------------------|---------------------|---------------------|
|   | Past Due         |                  |                 |                  |                   | Not Yet Due       |                     | Total               |
|   | 1-30 days        | 31-60 days       | 61-90 days      | 91-120 days      | Over 120 days     | Current Portion   | Noncurrent Portion  |                     |
| Face amount                                     | \$ 31,547        | \$ 15,982        | \$ 8,470        | \$ 11,439        | \$ 142,023        | \$ 501,076        | \$ 6,547,965        | \$ 7,258,502        |
| Unamortized discount                            | -                | -                | -               | -                | -                 | (307,327)         | (2,701,917)         | (3,009,244)         |
| <b>Net present value of mortgage receivable</b> | <b>\$ 31,547</b> | <b>\$ 15,982</b> | <b>\$ 8,470</b> | <b>\$ 11,439</b> | <b>\$ 142,023</b> | <b>\$ 193,749</b> | <b>\$ 3,846,048</b> | <b>\$ 4,249,258</b> |

  

|   | June 30, 2016    |                  |                 |                  |                   |                   |                     |                     |
|---|------------------|------------------|-----------------|------------------|-------------------|-------------------|---------------------|---------------------|
|   | Past Due         |                  |                 |                  |                   | Not Yet Due       |                     | Total               |
|   | 1-30 days        | 31-60 days       | 61-90 days      | 91-120 days      | Over 120 days     | Current Portion   | Noncurrent Portion  |                     |
| Face amount                                     | \$ 43,463        | \$ 18,209        | \$ 8,087        | \$ 11,737        | \$ 111,777        | \$ 508,310        | \$ 7,169,841        | \$ 7,871,424        |
| Unamortized discount                            | -                | -                | -               | -                | -                 | (331,913)         | (3,059,614)         | (3,391,527)         |
| <b>Net present value of mortgage receivable</b> | <b>\$ 43,463</b> | <b>\$ 18,209</b> | <b>\$ 8,087</b> | <b>\$ 11,737</b> | <b>\$ 111,777</b> | <b>\$ 176,397</b> | <b>\$ 4,110,227</b> | <b>\$ 4,479,897</b> |

Commencing in 2008, Habitat-NYC discontinued financing sales as its primary method of providing homeowners' financing and partnered with the State of New York Mortgage Agency (SONYMA) such that banks originate mortgage loans to qualified purchasers. The mortgages are then purchased by SONYMA. However, on a limited basis, Habitat-NYC has provided financing sales for homes when SONYMA mortgages were not feasible.

The housing units were sold to the Family Partners at below-market values, and therefore, the estimated realized value of the housing units that secure delinquent mortgages generally exceed the delinquent mortgages receivable. The mortgages receivable with amounts over 120 days past due totaled \$1,418,000 and \$1,776,000 at June 30, 2017 and 2016, respectively (net of unamortized discount of \$547,000 and \$723,000 at June 30, 2017 and 2016, respectively), and averaged \$1,597,000 and \$1,759,500 at June 30, 2017 and 2016, respectively (net of unamortized discount of \$622,000 and \$710,000 at June 30, 2017 and 2016, respectively). There is no interest accrued on overdue amounts as these mortgages are non-interest bearing.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2017 and 2016

#### NOTE 5 PROJECTS UNDER DEVELOPMENT

The activity in projects under development during the years ended June 30, 2017 and 2016, consisted of:

| Project   | Balance at<br>June 30, 2016 | Fiscal Year 2017 Activity |                          | Balance at<br>June 30, 2017 |
|---|-----------------------------|---------------------------|--------------------------|-----------------------------|
|   |                             | Additions                 | Sales and<br>Adjustments |                             |
| 249 Hart  | \$ -                        | \$ 77,305                 | \$ -                     | \$ 77,305                   |
| NYCHA Queens Phase I  | 1,631,824                   | 195,596                   | (1,827,420)              | -                           |
| NYCHA Queens Phase II   | 1,114,823                   | 6,150,827                 | -                        | 7,265,650                   |
| Habitat Passive   | 20,751                      | 34,655                    | -                        | 55,406                      |
| Sydney  | 2,576,486                   | 569,987                   | -                        | 3,146,473                   |
| SEED  | 319,879                     | 736,732                   | -                        | 1,056,611                   |
| Ralph Avenue I (formerly Ralph II)                                    | 197,300                     | 57,698                    | (254,998)                | -                           |
| Dean Street   | 2,410,344                   | 3,052,413                 | -                        | 5,462,757                   |
| Total   | 8,271,407                   | 10,875,213                | (2,082,418)              | 17,064,202                  |
| Project cost funded by<br>project-restricted private<br>contributions | (455,881)                   | -                         | (611,569)                | (1,067,450)                 |
| <b>Net</b>  | <b>\$ 7,815,526</b>         | <b>\$ 10,875,213</b>      | <b>\$ (2,693,987)</b>    | <b>\$ 15,996,752</b>        |

  

| Project   | Balance at<br>June 30, 2015 | Fiscal Year 2016 Activity |                          | Balance at<br>June 30, 2016 |
|---|-----------------------------|---------------------------|--------------------------|-----------------------------|
|   |                             | Additions                 | Sales and<br>Adjustments |                             |
| Bed-Stuy II - Jefferson Avenue  | \$ 341,484                  | \$ -                      | \$ (341,484)             | \$ -                        |
| Bed-Stuy IV Madison St.   | 276,437                     | -                         | (276,437)                | -                           |
| NYCHA Queens Phase I  | 3,833,017                   | 1,667,590                 | (3,868,783)              | 1,631,824                   |
| NYCHA Queens Phase II   | 84,258                      | 1,030,565                 | -                        | 1,114,823                   |
| Habitat Passive   | 9,000                       | 11,751                    | -                        | 20,751                      |
| Sydney  | 52,375                      | 2,524,111                 | -                        | 2,576,486                   |
| SEED  | 112,692                     | 207,187                   | -                        | 319,879                     |
| Ralph Avenue I (formerly Ralph II)                                    | 16,950                      | 180,350                   | -                        | 197,300                     |
| Dean Street   | 1,659,844                   | 750,500                   | -                        | 2,410,344                   |
| Total   | 6,386,057                   | 6,372,054                 | (4,763,141)              | 8,271,407                   |
| Project cost funded by<br>project-restricted private<br>contributions | (709,541)                   | -                         | 253,660                  | (455,881)                   |
| <b>Net</b>  | <b>\$ 5,676,516</b>         | <b>\$ 6,372,054</b>       | <b>\$ (4,509,481)</b>    | <b>\$ 7,815,526</b>         |

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

**NOTE 6      PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2017 and 2016, consisted of the following:

|  | <u>2017</u>              | <u>2016</u>              |
|--|--------------------------|--------------------------|
| <i>Cost</i>  |                          |                          |
| Furniture and equipment                                    | \$ 387,791               | \$ 426,278               |
| Leasehold improvements                                     | 499,087                  | 411,855                  |
| Total  | 886,878                  | 838,133                  |
| <i>Less: Accumulated depreciation and<br/>amortization</i> | <u>(579,517)</u>         | <u>(531,531)</u>         |
| <b>Property and equipment, net</b>                         | <u><u>\$ 307,361</u></u> | <u><u>\$ 306,602</u></u> |

Depreciation expense for the years ended June 30, 2017 and 2016 was \$67,663 and \$93,437, respectively.

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Notes to Consolidated Financial Statements  
June 30, 2017 and 2016

**NOTE 7 INVESTMENT IN LIMITED PARTNERSHIP**

Habitat-NYC's interest in the partnership in the 2017 and 2016 consolidated financial statements consisted of:

**Year ended June 30, 2016**

|   |                     |
|---|---------------------|
| Partnership distributions in excess of equity interest at June 30, 2015                     | \$ (141,340)        |
| Equity interest in the loss of the limited partnership for the year ended December 31, 2015 | (20,171)            |
| Partnership distributions received by Habitat-NYC during fiscal year 2016                   | <u>(36,813)</u>     |
| Partnership distributions in excess of equity interest at June 30, 2016                     | <u>\$ (198,324)</u> |

**Year ended June 30, 2017**

|   |                     |
|---|---------------------|
| Partnership contributions in excess of equity interest at June 30, 2016   | \$ (198,324)        |
| Prior period adjustment in equity interest in limited partnership based on the partnership's reissued audited financial statements for the year ended December 31, 2016 | 442,435             |
| Equity interest in limited partnership based on the partnership's audited financial statements for the year ended December 31, 2016                                     | 244,111             |
| Partnership distributions received by Habitat-NYC during fiscal year 2017   | (68,471)            |
| Fair value adjustment   | <u>2,831,432</u>    |
| Investment (at fair value) in limited partnership at June 30, 2017  | <u>\$ 3,007,072</u> |

In 2016, the resulting partnership distributions in excess of equity has been reported as a liability in the consolidated statements of financial position.

Equity investment in the limited partnership is measured at fair value with changes in fair value recognized in the accompanying statement of activities.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 8 DEFERRED REVENUE AND LOANS PAYABLE

Deferred revenue represents government grants and subsidies for projects under development, which will be recognized as revenue when the related housing units are sold to qualified purchasers. Deferred revenue at June 30, 2017 and 2016, consisted of:

|                      | <u>2017</u>         | <u>2016</u>       |
|----------------------|---------------------|-------------------|
| Government subsidies | \$ 2,405,504        | \$ 345,996        |
| Habitat House Party  | -                   | 10,000            |
| <b>Total</b>         | <u>\$ 2,405,504</u> | <u>\$ 355,996</u> |

#### NSP2 Grants

In June 2010, Habitat-NYC entered into a developer's agreement with HFHI, under which HFHI provides NSP2 funds to Habitat-NYC to use in the construction of multi-family housing projects. As amended in February 2013, Habitat-NYC is required to complete 105 housing units at an estimated cost of approximately \$42.9 million, a portion of which is funded from the NSP2 grants. As of June 30, 2013, Habitat-NYC had received all of the NSP2 grants, which totaled \$19.3 million for project acquisition and construction and \$1.7 million for the developer's fee. All of the units were sold by September 22, 2015.

NSP2 funds received are recorded as deferred revenue, and are recognized as income as the units are sold. There was no activity in projects funded by NSP2 grants during fiscal year 2017. The activity in the projects funded by NSP2 grants during fiscal year 2016 is summarized below:

| <u>Project and location</u>  | <u>Balance at<br/>July 1, 2015</u> | <u>Fiscal Year 2016 Activity</u> |   | <u>Balance at<br/>June 30,<br/>2016</u> |
|------------------------------|------------------------------------|----------------------------------|---|---|
|                              |                                    | <u>Amount<br/>Received</u>       | <u>Amount<br/>Recognized<br/>as Revenue</u> |   |
| Bed-Stuy II - Jefferson Ave. | \$ 143,552                         | \$ -                             | \$ 143,552                                  | \$ -                                    |
| Bed-Stuy IV - Madison St.    | 222,583                            | -                                | 222,583                                     | -                                       |
| <b>Total</b>                 | <u>\$ 366,135</u>                  | <u>\$ -</u>                      | <u>\$ 366,135</u>                           | <u>\$ -</u>                             |

#### Government Subsidies

Certain projects under development receive subsidies from New York City in the form of loan grants, capital project funds or sale of property at substantially below-market value for the project sites. The subsidies are encumbered by various loan agreements and related security instruments, which require repayment of the subsidies to the City in the event of Habitat-NYC's default on its construction obligations and sale of the units to the qualified purchasers. Habitat-NYC's obligations under the agreements are further collateralized by the projects under development.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 8 DEFERRED REVENUE AND LOANS PAYABLE *(continued)*

#### Government Subsidies *(continued)*

Subsidies received are deferred and recognized as income as the housing units are sold to qualified buyers pursuant to the terms of the underlying agreements with the City. At June 30, 2017 and 2016, the deferred project subsidy consisted of \$345,996 for the various properties acquired from the City for the Dean St. project at a nominal price of \$4 under a land disposition agreement and deed executed on June 26, 2014. Collectively, the properties had an appraised value of \$346,000.

Under various agreements executed on June 26, 2014, Habitat-NYC also expects to receive additional subsidies in the form of a construction loan grant amounting to \$1,632,000 from the City through the HPD; \$600,000 in a conditional grant from the State of New York AHC and a permanent, non-interest-bearing loan of \$670,859 from the New York State Housing Trust Fund Corporation to finance a portion of the construction cost of the Dean St. project. The construction loan grant and conditional grant will be available in the form of advances in accordance with the order of disbursement and requisition process, among other requirements, which are set forth in the memorandum of understanding dated June 26, 2014, among Habitat-NYC, HPD, and AHC. As of June 30, 2017, Habitat-NYC received \$600,000 from AHC and \$1,459,508 from HPD.

For the NYCHA Queens project, Habitat-NYC received from AHC an award dated September 12, 2013, in an amount not to exceed \$520,000 and a funding commitment from HPD dated May 22, 2015, in the amount of \$890,000, for the acquisition and rehabilitation of approximately 13 housing units in Queens.

Habitat-NYC received \$200,000 from AHC and \$350,000 of the commitment from the HPD as of June 30, 2017.

In addition, Habitat-NYC has recognized \$160,000 from AHC and \$280,000 from HPD as of June 30, 2017, associated with the sale of four units.

For the Sydney House project, Habitat-NYC received from HPD two funding commitments dated July 2, 2015, and June 24, 2016, in amounts not to exceed \$800,000 and \$400,000, respectively, for the construction of approximately 57 housing units in the Bronx, New York. Habitat-NYC also received an additional \$800,000 from HPD on September 14, 2016. Habitat-NYC also received a funding commitment of \$2,280,000 from AHC on July 13, 2017 and a funding commitment of \$2,000,000 from HPD on October 11, 2017.

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Notes to Consolidated Financial Statements  
June 30, 2017 and 2016

**NOTE 8 DEFERRED REVENUE AND LOANS PAYABLE (continued)**

Government Subsidies (continued)

For the Habitat Passive project, Habitat-NYC received from HPD two funding commitments dated July 6, 2017 and February 10, 2017, in the amounts not to exceed \$1,000,000 and \$300,000, for the construction of approximately 12 housing units in Brooklyn, New York.

Loans payable as of June 30, 2017 is as following:

|  |                            |
|--|----------------------------|
| On February 23, 2017, Community Preservation Corporation (CPC) provided a loan of \$3,450,000 to be drawn down. The loan bears interest calculated daily using the London Interbank Offered Rate (LIBOR) plus 5.30% per annum, due February 23, 2019. The loan is secured by a first priority mortgages on the property of the Queens Phase II project.        | \$ 789,787                 |
| On February 23, 2017, New York City Department of Housing Preservation and Development (HPD), has provided a forgivable loan of \$2,550,000 to be drawn down. The loan is secured by co-second priority mortgages on the property of the Queens Phase II project, with no interest or payment due, forgivable and transferrable to the purchaser of each home. | 475,983                    |
| On February 23, 2017, New York New York State Affordable Housing Corporation (AHC), has provided a loan of \$800,000 to be drawn down. The loan is secured by co-second priority mortgages on the property of the Queens Phase II project, with no interest or payment due, forgivable and transferrable to the purchaser of each home.                        | 149,348                    |
| On February 23, 2017, CPC has provided a loan of \$1,713,549 to be drawn down. The loan is secured by third priority mortgages on the property of the Queens Phase II project, with no interest or payment due, forgivable and transferrable to the purchaser of each home.  | 1,713,549                  |
| On February 10, 2017, CPC provided a loan of \$2,680,000 to be drawn down. The loan bears interest calculated daily using the London Interbank Offered Rate (LIBOR) plus 5.30% per annum, due August 10, 2019. The loan is secured by a first mortgage on the property of the SEED project.  | 39,909                     |
| On November 22, 2016, New York City Acquisition Fund has provided a loan of 2,334,000. The loan bears interest calculated on the greater of 5.25% per annum or the aggregate of one month LIBOR plus 4.75%, due August 8, 2019. The loan is secured by a first lien mortgage on the Sydney House project.  | <u>2,413,954</u>           |
| Total loan payable   | 5,582,530                  |
| Less: Current portion  | <u>(789,787)</u>           |
| <b>Long-term portion</b>   | <b><u>\$ 4,792,743</u></b> |

Additionally, on February 10, 2017, HPD and AHC provided forgivable loans of \$1,750,000 and \$4,222,000, respectively, secured by the mortgages on the property of the SEED project with no interest or payments due and forgivable and transferrable to the purchaser of each home. Habitat-NYC has not drawn down on these loans as of June 30, 2017.

At June 30, 2017, the Organization was in compliance with its loan covenants with CPC and New York City Acquisition Fund.

The following table summarizes the principal payments due for loans payable subsequent to June 30, 2017 and thereafter:

|              |                            |
|--------------|----------------------------|
| 2018         | \$ 789,787                 |
| 2019         | 2,412,954                  |
| 2020         | <u>39,909</u>              |
| <b>Total</b> | <b><u>\$ 3,242,650</u></b> |

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 8 DEFERRED REVENUE AND LOANS PAYABLE *(continued)*

#### Government Subsidies *(continued)*

The terms and conditions do not require Habitat-NYC to utilize cash to repay the obligations from HPD, AHC, and CPC forgivable loans. Moreover, there are no scheduled maturities of the related debt, since Habitat-NYC is relieved of an obligation to repay the loan upon transfer of the property to a qualified buyer. Accordingly, the above table does not include scheduled maturities of the forgivable debt.

#### Line of Credit

On February 4, 2016, Habitat-NYC entered into a loan agreement (the Agreement) with JPMorgan Chase Bank (the Bank), whereby the Bank provided Habitat-NYC with a revolving line of credit (the Facility) in the amount of \$2,000,000 (the Facility Commitment). The Facility ended on February 4, 2017 (the Facility Expiration Date), and may be renewed by the Bank prior to the Facility Expiration Date. The Loan bears interest calculated daily using the London Interbank Offered Rate (LIBOR) plus 2.824%.

The loan balance in 2017 and 2016 amounted to zero and \$2,000,000, respectively. The Facility Commitment was paid off on December 1, 2016. Interest expense in 2017 and 2016 amounted to \$33,824 and \$7,607, respectively.

Habitat-NYC was in compliance with the terms of the Agreement.

### NOTE 9 BOARD-DESIGNATED NET ASSETS

The Board of Directors authorized management to establish a Board-designated reserve in the amount of \$1,000,000 to provide a source of funds in times of general economic downturn and meet cash flow requirements as needed. This reserve enables Habitat-NYC to avoid dramatic year-to-year program changes that might arise due to uncertainties associated with government grants and private funding streams.

ASC 958.205.45, *Not-for-Profit Entities—Other Presentation Matters—Reporting Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In September 2010, New York State adopted its version of UPMIFA, the New York Prudent Management of Institutional Funds Act.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 9 BOARD-DESIGNATED NET ASSETS *(continued)*

Habitat-NYC's endowment consists of its Board-designated fund of \$1,000,000. Habitat-NYC has invested its Board-designated fund to provide a predictable stream of funding while preserving the purchasing power of the funds, utilizing a fixed income strategy to accomplish this objective. Investment income related to the Board-designated fund amounted to approximately \$10,800 and \$8,400 in 2017 and 2016, respectively. It is the Board's policy to appropriate such income to support Habitat-NYC's activities. As of June 30, 2017, the Board has not established a spending rate policy for the Board-designated fund.

### NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include those funds received or promised specifically for construction and development, rehabilitation, and other purposes which have not yet been spent in fulfillment of those donor restrictions, as well as grants that are time-restricted.

The activity in temporarily restricted net assets is as follows:

|                         | Balance, at<br>June 30,<br>2016 | Fiscal Year 2017 Activity |                                  | Balance, at<br>June 30,<br>2017 |
|-------------------------|---------------------------------|---------------------------|----------------------------------|---------------------------------|
|                         |                                 | Additions                 | Releases<br>from<br>Restrictions |                                 |
| <i>Projects</i>         |                                 |                           |                                  |                                 |
| Queens Phase I          | \$ -                            | \$ 450,000                | \$ 450,000                       | \$ -                            |
| Queens Phase II         | -                               | 188,419                   | 188,419                          | -                               |
| Dean                    | -                               | 173,040                   | 173,040                          | -                               |
| Sydney                  | -                               | 35,000                    | 35,000                           | -                               |
| 249 Hart                | -                               | 50,000                    | 50,000                           | -                               |
| ReStore                 | -                               | 10,455                    | 10,455                           | -                               |
| <i>Other</i>            |                                 |                           |                                  |                                 |
| Habitat House Party     | 70,000                          | -                         | 70,000                           | -                               |
| Brush With Kindness     | -                               | 11,410                    | 11,410                           | -                               |
| Hurricane Sandy Project | -                               | 332,247                   | 308,222                          | 24,025                          |
| Preservation            | -                               | 336,569                   | 333,994                          | 2,575                           |
| Global Village          | -                               | 3,300                     | 600                              | 2,700                           |
| Pathway to partnership  | -                               | 5,000                     | 5,000                            | -                               |
| <b>Total</b>            | <b>\$ 70,000</b>                | <b>\$ 1,595,440</b>       | <b>\$ 1,636,140</b>              | <b>\$ 29,300</b>                |

**HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES**  
Notes to Consolidated Financial Statements  
June 30, 2017 and 2016

**NOTE 10 TEMPORARILY RESTRICTED NET ASSETS** *(continued)*

|                         | Balance, at<br>June 30,<br>2015 | Fiscal Year 2016 Activity |                                  | Balance, at<br>June 30,<br>2016 |
|-------------------------|---------------------------------|---------------------------|----------------------------------|---------------------------------|
|                         |                                 | Additions                 | Releases<br>from<br>Restrictions |                                 |
| <i>Projects</i>         |                                 |                           |                                  |                                 |
| Queens Phase I          | \$ -                            | \$ 1,090,000              | \$ 1,090,000                     | \$ -                            |
| Queens Phase II         | -                               | 25,000                    | 25,000                           | -                               |
| <i>Other</i>            |                                 |                           |                                  |                                 |
| Americorps              | -                               | 2,500                     | 2,500                            | -                               |
| Capital Campaign        | 81,062                          | -                         | 81,062                           | -                               |
| Habitat House Party     | -                               | 70,000                    | -                                | 70,000                          |
| Hurricane Sandy Project | -                               | 440,292                   | 440,292                          | -                               |
| <b>Total</b>            | <b>\$ 81,062</b>                | <b>\$ 1,627,792</b>       | <b>\$ 1,638,854</b>              | <b>\$ 70,000</b>                |

**NOTE 11 EMPLOYEE BENEFIT PLAN**

Habitat-NYC has a 403(b) defined contribution retirement plan. Employees become eligible to contribute to the plan upon employment. Participating employees may contribute any amount up to the maximum IRS annual contribution limits. Matching contributions made by Habitat-NYC, which are discretionary, totaled \$75,946 and \$74,315 during the years ended June 30, 2017 and 2016, respectively.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

Leases

Habitat-NYC has an operating lease for its office space that expires on March 21, 2022. The payment due in fiscal year 2017 amounted to \$269,000.

Habitat-NYC also entered into a non-cancellable, 39-month operating lease agreement for office equipment, which commenced in May 2017 and expires in July 2020. Payments are \$1055 per month.

Habitat-NYC also entered into a non-cancellable, 36-month operating lease agreement for office equipment, which commenced in June 2017 and expires in May 2020. Payments are \$110 per month.

Additionally, commencing on September 15, 2015, Habitat-NYC entered into a 10-year operating lease agreement for its ReStore space that expires on September 15, 2025. Annual payments range from \$75,850 to \$83,435.

## HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### NOTE 12 COMMITMENTS AND CONTINGENCIES *(continued)*

#### Leases *(continued)*

Approximate future minimum lease payments related to the operating leases are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u>       |
|------------------------------------|---------------------|
| 2018                               | \$ 359,000          |
| 2019                               | 365,750             |
| 2020                               | 372,500             |
| 2021                               | 382,250             |
| 2022                               | 304,900             |
| Thereafter                         | 267,650             |
|                                    | <u>\$ 2,052,050</u> |

Rent expense was approximately \$387,000 and \$303,000 for the years ended June 30, 2017 and 2016, respectively. The cumulative difference between rent expense and amounts paid in accordance with the terms of the lease amounted to \$10,223 and \$12,669 as of June 30, 2017 and 2016, respectively, and has been reflected as deferred rent liability in the accompanying consolidated statements of financial position.

#### Contingencies

Habitat-NYC is a defendant in a legal proceeding pertaining to matters normally incidental to routine operations. Such litigation includes breach of contract. Based on the current status of Habitat-NYC's legal proceedings, it is the opinion of management and counsel that they will not have a material effect on the Habitat-NYC's financial position. As of June 30, 2017, an accrual of \$300,000 has been recorded in the accompanying financial statements associated with this legal proceeding.

In addition, Habitat-NYC, in the normal course of its business, is a party to a legal proceeding that is covered partly by insurance. While it is not feasible to predict the outcome of the proceeding, management does not believe that any adverse effect will have a material effect on Habitat-NYC's consolidated financial position, changes in net assets or cash flows.

### NOTE 13 SUBSEQUENT EVENTS

Habitat-NYC evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the consolidated financial statements. Such evaluation was performed through December 22, 2017, the date the consolidated financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying consolidated financial statements.

