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

**Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017
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, 2018 and 2017

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MITCHELL TITUS

INDEPENDENT AUDITOR'S REPORT

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

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, 2018 and 2017, 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, 2018 and 2017, 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 28, 2018

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES
Consolidated Statements of Financial Position
As of June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,581,520	$ 3,073,964
Investments - Note 3	-	2,112,058
Investment in limited partnership at fair value - Note 8	-	3,007,072
Accounts receivable	763,792	803,412
Contributions receivable–current portion - Note 5	275,000	-
Mortgages receivable–current portion (net of unamortized discount) - Note 4	363,759	403,210
ReStore inventory	22,214	53,446
Prepaid expenses and other assets	316,981	320,331
Total current assets	4,323,266	9,773,493
Non-current assets		
Restricted cash	897,034	1,141,844
Homeowners' escrow and reserve funds	33,976	16,767
Investments - Note 3	-	1,000,000
Accounts receivable	122,866	-
Contributions receivable–long-term portion - Note 5	216,893	-
Mortgages receivable–long-term portion (net of unamortized discount) - Note 4	3,513,404	3,846,048
Projects under development - Note 6	26,458,013	15,996,752
Property and equipment (net of accumulated depreciation and amortization) - Note 7	407,107	307,361
Security deposit	27,887	27,887
Total non-current assets	31,677,180	22,336,659
Total assets	$ 36,000,446	$ 32,110,152

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, 2018 and 2017

	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 3,548,181	$ 3,626,358
Loan payable - Note 10	5,674,683	789,787
Line of credit - Note 10	1,000,000	-
Total current liabilities	10,222,864	4,416,145
Non-current liabilities		
Recoverable grant liability (net of unamortized discount) - Note 10	35,468	-
Loan payable - Note 10	5,596,982	4,792,743
Deferred revenue - Note 9	2,405,504	2,405,504
Deferred rent - Note 14	86,060	10,223
Total non-current liabilities	8,124,014	7,208,470
Total liabilities	18,346,878	11,624,615
Net assets		
Unrestricted		
Board-designated - Note 11	1,000,000	1,000,000
Undesignated	12,928,923	18,660,880
Non-controlling interest - Note 12	2,987,154	795,357
Total unrestricted	16,916,077	20,456,237
Temporarily restricted - Note 12	737,491	29,300
Total net assets	17,653,568	20,485,537
Total liabilities and net assets	$ 36,000,446	$ 32,110,152

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, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Support			
Contributions (including in-kind contributions of $967,760 and contributed services of $45,000)	$ 2,833,378	$ 2,357,974	$ 5,191,352
Special events	317,297	-	317,297
Revenue			
Sale of housing units			
Proceeds from sales	658,989	-	658,989
Government subsidies - Note 9	688,182	-	688,182
ReStore sales	636,933	-	636,933
Investment return	11,063	-	11,063
Mortgage discount amortization	467,119	-	467,119
Other income–net	225,537	-	225,537
Total support and revenue	5,838,498	2,357,974	8,196,472
Net assets released from restrictions - Note 12	1,649,783	(1,649,783)	-
Total support, revenue and reclassifications	7,488,281	708,191	8,196,472
EXPENSES			
Program services			
Cost of housing units sold - Note 6	1,513,823	-	1,513,823
Personnel and other expenses	6,158,550	-	6,158,550
Total program services	7,672,373	-	7,672,373
Supporting services			
Management and general	1,937,681	-	1,937,681
Fundraising	1,418,387	-	1,418,387
Total supporting services	3,356,068	-	3,356,068
Total expenses	11,028,441	-	11,028,441
Change in net assets	(3,540,160)	708,191	(2,831,969)
Net assets, at beginning of year	20,456,237	29,300	20,485,537
Net assets, at end of year	$ 16,916,077	$ 737,491	$ 17,653,568

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, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Support			
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
Revenue			
Sale of housing units			
Proceeds from sales	1,150,150	-	1,150,150
Government subsidies - Note 9	440,000	-	440,000
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 8	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 12	1,636,140	(1,636,140)	-
Total support, revenue and reclassifications	11,272,803	(40,700)	11,232,103
EXPENSES			
Program services			
Cost of housing units sold - Note 6	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
Supporting services			
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
Net assets, at end of year	$ 20,456,237	$ 29,300	$ 20,485,537

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, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Cost of housing units sold				
Projects under development	$ 1,513,823	$ -	$ -	$ 1,513,823
Personnel expenses				
Salaries and wages	2,327,506	796,383	664,221	3,788,110
Payroll taxes and fringe benefits	585,594	195,204	155,926	936,724
Total personnel costs	2,913,100	991,587	820,147	4,724,834
Other expenses				
AmeriCorps/Vista program expenses	31,207	-	-	31,207
Professional fees	358,547	246,482	60,341	665,370
Occupancy costs	319,276	56,052	46,443	421,771
Insurance	72,633	23,985	-	96,618
Office expenses	178,335	20,698	14,720	213,753
Computer maintenance and software	133,924	44,740	45,997	224,661
Advertising	2,860	179,203	1,009	183,072
Staff training and education	30,333	19,958	5,582	55,873
Home owner education, credit reports	42,210	-	-	42,210
Postage	2,384	11,718	800	14,902
Common charges	15,997	5,473	1,308	22,778
Printing and duplicating	1,212	15,298	154	16,664
Special event indirect costs	4,236	1,066	144,000	149,302
Repairs and maintenance	350,943	3,060	-	354,003
Telephone	62,441	16,816	11,726	90,983
Travel and meetings	127,871	8,308	6,098	142,277
Direct mail and newsletters - printing, supplies, postage and delivery	-	31,875	227,457	259,332
Public relations	-	155,926	-	155,926
Tithe	235,000	-	-	235,000
Depreciation and amortization	20,836	83,807	-	104,643
HFHI fees	25,000	-	-	25,000
ReStore cost of sales	645,806	-	-	645,806
ReStore sales tax	49,692	-	-	49,692
Loss on project development	80,000	-	-	80,000
Settlement expense - Note 14	385,000	-	-	385,000
Interest expense	-	3,787	-	3,787
Miscellaneous	69,707	17,842	32,605	120,154
Total other expenses	3,245,450	946,094	598,240	4,789,784
Total expenses	$ 7,672,373	$ 1,937,681	$ 1,418,387	$ 11,028,441

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, 2017

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Cost of housing units sold				
Projects under development	$ 2,438,988	$ -	$ -	$ 2,438,988
Personnel expenses				
Salaries and wages	2,159,777	980,992	641,905	3,782,674
Payroll taxes and fringe benefits	457,242	246,687	141,192	845,121
Total personnel costs	2,617,019	1,227,679	783,097	4,627,795
Other expenses				
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, 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
Settlement expense - Note 14	300,000	-	-	300,000
Miscellaneous	63,017	1,568	36,963	101,548
Total other expenses	2,900,120	961,006	531,389	4,392,515
Total expenses	$ 7,956,127	$ 2,188,685	$ 1,314,486	$ 11,459,298

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, 2018 and 2017

	2018	2017
CASH FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,831,969)	$ (227,196)
Adjustments to reconcile change in net assets to net cash used in operations		
Equity interest in limited partnership	-	(198,324)
Fair value of equity interest in limited partnership	-	(3,007,072)
Depreciation and amortization	104,643	67,663
Unrealized loss on investments	13,298	18,381
Mortgage discount amortization	(467,119)	(382,283)
Projects under development - reserve	375,828	611,569
Loan discount	(4,532)	-
Changes in operating assets and liabilities		
Accounts receivable	(83,246)	(693,412)
Contributions receivable	(491,893)	-
Prepaid expenses and other assets	3,350	(139,091)
Family members' savings plan contributions, homeowners' escrow and reserve funds	(17,209)	50,681
Projects under development	(10,837,089)	(8,792,795)
ReStore inventory	31,232	26,581
Accounts payable and accrued expenses	(78,177)	2,570,116
Deferred revenue	-	2,049,508
Family members' savings plan contributions, homeowners' escrow and reserve funds	-	(2,175)
Deferred rent	75,837	(2,446)
Net cash used in operating activities	(14,207,046)	(8,050,295)
CASH FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(215,727)	(87,232)
Proceeds from sale of property and equipment	11,338	18,810
Collections on mortgages receivable	839,214	612,922
Sale of investments	6,105,832	1,993,702
Net cash provided by investing activities	6,740,657	2,538,202
CASH FROM FINANCING ACTIVITIES		
Proceeds from loans	40,000	-
Borrowing (repayment) under line of credit	1,000,000	(2,000,000)
Net borrowings under construction loans	5,689,135	5,582,530
Net cash provided by financing activities	6,729,135	3,582,530
Net decrease in cash	(737,254)	(1,929,563)
Cash, beginning of year	4,215,808	6,145,371
Cash, end of year	$ 3,478,554	$ 4,215,808
Cash at end of year consisted of:		
Unrestricted cash	$ 2,581,520	$ 3,073,964
Restricted cash	897,034	1,141,844
Total	$ 3,478,554	$ 4,215,808
Interest charged to projects under development	$ 196,293	$ 210,802

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

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.
839 Tilden Street Housing Development Fund Corporation (839 Tilden Street)

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, Almat Tilden, Ralph Avenue I, 839 Tilden Street, and Dean Street are exempt from federal income taxes under Section 501(c)(4) of the Code.

NOTE 1 ORGANIZATION *(continued)*

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.

On February 12, 2018, Habitat-NYC formed 839 Tilden Street Housing Development Fund Corporation for the purpose of setting up the entity as a cooperative. Upon permanent conversion of the Sydney House project, the property will be deeded to this entity and it will be a cooperative owner issuing shares to eligible buyers.

Habitat-NYC contributes to HFHI's tithing and stewardship programs. Tithe contributions amounted to approximately $235,000 and $85,000 in fiscal years 2018 and 2017, respectively, while stewardship contributions amounted to $25,000 in each of fiscal years 2018 and 2017.

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.

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, except for those involving non-controlling interest.

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 12).

Non-controlling interest—the equity in Habitat Latent LLC and AG Habitat Tilden Street LLC not attributable, directly or indirectly, to 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 the end of the life of the project.

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 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.

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 2018 and 2017 were not material.

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

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, 2018, approximately 91% 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. There was no allowance for uncollectible accounts or contributions receivable in fiscal years ended June 30, 2018 and 2017, as all accounts and contributions receivable were determined to be fully collectible.

Investments

Investments consist of fixed-income mutual funds, U.S. Treasury and agency bonds and certificates of deposit with maturities in excess of 90 days from the dates of purchase. The mutual funds and U.S. Treasury and agency bonds 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.

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

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 contributions are recorded as in-kind contributions upon receipt at their estimated realizable value.

Interest in Limited Partnership

The accompanying consolidated financial statements for the year ended June 30, 2017 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.

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 estimated net sales proceeds received by Habitat-NYC subsequent to June 30, 2017 (see Note 8).

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

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.

Income Taxes

As described in Note 1, Habitat-NYC and HDFC are exempt from federal income taxes. They are also exempt from state income taxes. The GC is filed as part of Habitat-NYC's tax returns as a disregarded entity. AG Habitat Tilden Street LLC and Habitat Latent LLC are pass through entities and Habitat-NYC is not expected to pay taxes from sales proceeds. All other entities that comprise Habitat-NYC were established to be tax-exempt organizations under Code Sections 501(c)(3) and 501(c)(4).

Management evaluated Habitat-NYC's tax positions and concluded that, as of June 30, 2018, 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, 2014.

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

New Accounting Pronouncements

Accounting Standards Update (ASU) 2016-02, Leases (Topic 842)

On February 25, 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 affects all companies and other entities, including not-for-profit organizations that lease assets. Key provisions include changes in accounting for leases, primarily by lessees:

- For operating leases, the guidance requires recognition of (a) lease asset (right of use) and lease liability, initially measured at the present value of the lease payments, in the statement of financial position and (b) a single lease cost, calculated so that the cost of the lease is allocated over the lease term generally on a straight-line basis.
- ASU 2016-02 permits not-for-profit entities to use risk-free rates when determining the present value of lease liabilities.
- Requires enhanced qualitative and quantitative disclosures to assist financial statement users in understanding the amount, timing and uncertainty of cash flows arising from lease transactions.

ASU 2016-02 is effective for Habitat-NYC for the year ending June 30, 2021.

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326)

On June 16, 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses* (Topic 326). This guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts.

ASU 2016-13 impacts organizations that hold financial assets and net investments in leases that are not accounted for at fair value through net income.

The scope of ASU 2016-13 affects trade receivables, loans receivable and net investment in leases among other financial assets; however, it excludes contributions (pledges) receivable. The new guidance includes the following key provisions:

- Organizations are to reflect their current estimate of all expected credit losses over the contractual term of its financial assets. Previously, when credit losses were measured under U.S. GAAP, an entity only considered past events and current conditions when measuring the incurred losses.
- Forward-looking information can be considered when measuring credit losses.
- Forecast information can be utilized when forming expectations of credit losses.

ASU 2016-13 is effective for Habitat-NYC for the year ending June 30, 2022.

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

New Accounting Pronouncements *(continued)*

ASU 2016-14, Presentation of Financials Statements of Not-for-Profit Entities (Topic 958)

On August 18, 2016, the FASB completed Phase I of its Not-for-Profit (NFP) financial statement reporting project by issuing ASU 2016-14, *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which applies to all not-for-profit organizations.

The newly issued guidance simplifies and improves information on the financial statements and notes regarding net asset classification, liquidity, financial performance and cash flows. The following are highlights from the new guidance:

Net asset classification and related disclosures

- Revises the net asset classifications to two classes – Net assets with donor restrictions (previously shown as temporarily restricted and permanently restricted net assets) and net assets without donor restrictions (previously reflected as unrestricted net assets).
- Consistent with the current U.S. GAAP requirement, not-for-profit organizations would continue to provide relevant information about the nature and amounts of donor restrictions on net assets (either on the face of the statement of financial position or in notes). Such disclosures should highlight how those restrictions affect the use of resources, including their liquidity.
- Not-for-profit organizations would be required to disclose the amounts and purposes of board-designated net assets either on the face of, or notes to, the financial statements.

Information useful in assessing liquidity

The Board decided to clarify the objectives of providing information useful in assessing a not-for-profit organization's liquidity and the type of information that financial statements are capable of providing for that purpose. The Board decided to require not-for-profit organizations to provide:

- Qualitative information in the notes that communicates how a not-for-profit organization manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
- Quantitative information either on the face of the statement of financial position or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of an not-for-profit organzation's financial assets at the statement of financial position date to meet cash needs of general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (a) its nature, (b) external limits imposed by donors, laws and contracts with others, and (c) internal limits imposed by governing board decisions.

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

New Accounting Pronouncements *(continued)*

ASU 2016-14, Presentation of Financials Statements of Not-for-Profit Entities (Topic 958) *(continued)*

Expenses by Function and Nature

Not-for-profit organzations are required to report all expenses (other than netted investment expenses) by function and nature in one location. The information can be reported on the statement of activities, in a separate statement, or in the notes to the financial statements. In reporting its expenses, a not-for-profit organization would be required to show the relationship between its functional and natural classification by disaggregating its functional categories by their natural classification.

ASU 2016-14 is effective for Habitat-NYC for the year ending June 30, 2019.

ASU 2017-02, Not-for-Profit Entities—Consolidation (Subtopic 958-810)

On January 12, 2017, the FASB issued ASU 2017-02, *Not-for-Profit Entities—Consolidation* (Subtopic 958-810). The new guidance amends the consolidation guidance in Subtopic 958-810, *Not-for-Profit Entities—Consolidation*, to clarify when a not-for-profit entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, become effective.

1. The amendments in this ASU also maintain how not-for-profit general partners currently apply the consolidation guidance in Subtopic 810-20, *Consolidation—Control of Partnerships and Similar Entities*, by including that guidance within Subtopic 958-810, *Not-for-Profit Entities—Consolidation*. Under the amendments, not-for-profit entities that are general partners continue to be presumed to control a for-profit limited partnership, regardless of the extent of ownership, unless the presumption is overcome through substantive kick-out rights or substantive participating rights of the limited partner(s). The amendments also add to Subtopic 958-810 the general guidance in Subtopic 810-10, *Consolidations—Overall*, on when not-for-profit limited partners should consolidate a for-profit limited partnership. There is also new guidance on when limited partners should consolidate limited partnerships that are not variable interest entities (VIEs) and are not within the scope of the VIE consolidation guidance.

Habitat-NYC adopted ASU 2017-02 during fiscal year 2018. There was no significant effect on Habitat-NYC's consolidated financial statements as a result of adopting this standard.

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.

The following tables provide the fair value hierarchy of Habitat-NYC's investments at June 30, 2018 and 2017. There are no other assets or liabilities that are required to be measured at fair value.

	Level 1	Level 2	Level 3	Total
June 30, 2018				
Interest bearing cash and cash equivalents	$ 1,820,690	$ -	$ -	$ 1,820,690
Total	$ 1,820,690	$ -	$ -	$ 1,820,690
June 30, 2017				
Interest bearing cash and cash equivalents	$ 2,660,958	$ -	$ -	$ 2,660,958
Investments				
Fixed income mutual funds				
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	2,657,663	454,395	3,007,072	6,119,130
Total	$ 5,318,621	$ 454,395	$ 3,007,072	$ 8,780,088

NOTE 3 FAIR VALUE MEASUREMENTS *(continued)*

The investment return in the consolidated statements of activities consisted of interest and dividend income of $24,361 and $32,318 during fiscal years 2018 and 2017, respectively, and an unrealized loss on investments of $13,298 and $18,381 during fiscal years 2018 and 2017, respectively.

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, 2018 and 2017, consisted of the following:

	June 30, 2018							
	Past Due					Not Yet Due		
	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Current Portion	Noncurrent Portion	Total
Face amount	$ 36,388	$ 10,479	$ 8,333	$ 7,226	$ 112,101	$ 485,176	$ 5,759,585	$ 6,419,288
Unamortized discount	-	-	-	-	-	(295,944)	(2,246,181)	(2,542,125)
Net present value of mortgage receivable	$ 36,388	$ 10,479	$ 8,333	$ 7,226	$ 112,101	$ 189,232	$ 3,513,404	$ 3,877,163

	June 30, 2017							
	Past Due					Not Yet Due		
	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Current Portion	Noncurrent Portion	Total
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)
Net present value of mortgage receivable	$ 31,547	$ 15,982	$ 8,470	$ 11,439	$ 142,023	$ 193,749	$ 3,846,048	$ 4,249,258

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 approximately $1,229,000 and $1,418,000 at June 30, 2018 and 2017, respectively (net of unamortized discount of approximately $435,000 and $547,000 at June 30, 2018 and 2017, respectively), and averaged approximately $1,323,500 and $1,597,000 at June 30, 2018 and 2017, respectively, (net of unamortized discount of $491,000 and $622,000 at June 30, 2018 and 2017, respectively). There is no interest accrued on overdue amounts as these mortgages are non-interest bearing.

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2018 are due to be collected as follows:

Less than one year	$ 275,000
One to five years	235,000
Fair value adjustment	(18,107)
	$ 491,893

Contributions receivable that are due more than one year at inception are recorded at fair value using the present value technique. They have been discounted to their present value at a rate of 5.00% a year.

NOTE 6 PROJECTS UNDER DEVELOPMENT

The activity in projects under development during the years ended June 30, 2018 and 2017, consisted of:

		Fiscal Year 2018 Activity		
Project	**Balance at July 1, 2017**	**Additions**	**Sales and Adjustments**	**Balance at June 30, 2018**
Brownsville	$ -	$ 97,143	$ -	$ 97,143
Glenmore-Jersey	55,406	80,803	-	136,209
Net Zero	-	101,847	-	101,847
Weeksville (formerly 249 Hart)	77,305	27,844	-	105,149
Queens Phase II	7,265,649	2,801,182	(1,137,995)	8,928,836
Sydney	3,146,474	3,913,085	-	7,059,559
SEED	1,056,610	3,044,847	-	4,101,457
Dean Street	5,462,758	1,821,067	-	7,283,825
Haven Green	-	87,265	-	87,265
Total	17,064,202	11,975,083	(1,137,995)	27,901,290
Project cost funded by project-restricted private contributions	(1,067,450)	-	(375,828)	(1,443,278)
Net	$ 15,996,752	$ 11,975,083	$ (1,513,823)	$ 26,458,013

NOTE 6 PROJECTS UNDER DEVELOPMENT *(continued)*

Project	Balance at July 1, 2016	Fiscal Year 2017 Activity: Additions	Fiscal Year 2017 Activity: Sales and Adjustments	Balance at June 30, 2017
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
Glenmore-Jersey (formerly 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 project-restricted private contributions	(455,881)	-	(611,569)	(1,067,450)
Net	$ 7,815,526	$ 10,875,213	$ (2,693,987)	$ 15,996,752

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Cost		
Furniture and equipment	$ 355,057	$ 387,791
Office and leasehold improvements	714,814	499,087
Total	1,069,871	886,878
Less: Accumulated depreciation and amortization	(662,764)	(579,517)
Property and equipment, net	$ 407,107	$ 307,361

Depreciation expense for the years ended June 30, 2018 and 2017 was $104,643 and $67,663, respectively.

NOTE 8 INVESTMENT IN LIMITED PARTNERSHIP

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

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	2,831,432
Investment (at fair value) in limited partnership at June 30, 2017	$ 3,007,072

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

During fiscal year ended June 30, 2018, Habitat-NYC received $3,013,885 in full liquidation of its interest in the partnership.

NOTE 9 DEFERRED REVENUE

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, 2018 and 2017 consisted of government subsidies of $2,405,504 in each year.

The government subsidies identified above are for the Dean Street project consisting of $345,996 from the City; $600,000 from HPD; and $1,459,508 from HPD.

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.

NOTE 9 DEFERRED REVENUE *(continued)*

Government Subsidies

Dean Street

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, 2018 and 2017, 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 Street. 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, 2018, Habitat-NYC received $600,000 from AHC and $1,459,508 from HPD.

On December 7, 2013, Habitat-NYC was awarded a grant by NYSERDA for receiving green energy certifications for the construction of the Dean Street. homes to the amount of $18,000. NYSERDA disbursed $4,950 and $13,050 to Habitat-NYC as of June 30, 2018 and 2017, respectively.

Queens Phase I

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.

Glenmore-Jersey

For the Glenmore-Jersey project (formerly Habitat Passive), 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.

NOTE 10 DEBT

Loans Payable

Loans payable as of June 30, 2018 is as follows:

	Balance at July 1, 2017	Additional Borrowings/ Draws	Payments/ Releases from sales	Balance at June 30, 2018
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	$ 1,190,910	$ -	$ 1,980,697
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 payments due, forgivable and transferrable to the purchaser of each home.	475,983	1,419,002	(286,336)	1,608,649
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 payments, forgivable and transferrable to the purchaser of each home.	149,348	445,236	(80,000)	514,584
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 payments due, forgivable and transferrable to the purchaser of each home.	1,713,549	-	(142,796)	1,570,753
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	14,129	-	54,038
On February 10, 2017, AHC has provided a forgivable loan of $3,222,000 to be drawn down. The loan is secured by third priority mortgages on the property of the SEED project, with no interest or payments due, forgivable and transferrable to the purchaser of each home.	-	2,587,672	-	2,587,672
On November 22, 2016, New York City Acquisition Fund 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. On Ferbruary 22, 2018, Habitat-NYC paid off the loan.	2,413,954	-	(2,413,954)	-
On February 22, 2018, JPMorgan Chase Bank, N.A. provided a loan of $8,269,134 to be drawn down. The loan bears interest calculated daily using the London Interbank Offered Rate (LIBOR) plus 2.85% per annum, due July 22, 2020. The loan is secured by a first priority mortgages on the property of the Sydney House project.	-	1,520,090	-	1,520,090
On February 22, 2018, New York City Department of Housing Preservation and Development (HPD), has provided a forgivable loan of $13,405,000 to be drawn down. The loan is secured by co-second priority mortgages on the property of the Sydney House project, with no interest or payments due, forgivable and transferrable to the purchaser of each home.	-	1,216,405	-	1,216,405
On February 28, 2018, New York New York State Affordable Housing Corporation (AHC), has provided a loan of $2,240,000 to be drawn down. The loan is secured by co-second priority mortgages on the property of the Sydney House project, with no interest or payments due, forgivable and transferrable to the purchaser of each home.	-	218,777	-	218,777
Total	5,582,530	$ 8,612,221	$ (2,923,086)	11,271,665
Less current portion	(789,787)			(5,674,683)
Long-term portion	$ 4,792,743			$ 5,596,982

NOTE 10 DEBT *(continued)*

Loans Payable *(continued)*

Additionally, on February 10, 2017, HPD provided a forgivable loan of $1,750,000 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 this loan as of June 30, 2018.

At June 30, 2018, Habitat-NYC was in compliance with its loan covenants with CPC.and JPMorgan Chase Bank, N.A. (the Bank).

The following table summarizes the principal payments due for loans payable subsequent to June 30, 2018 and thereafter:

Fiscal year ending June 30	Amount
2019	$ 5,674,683
2020	2,641,710
2021	2,955,272
Total	$ 11,271,665

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. Interest on these loans that was capitalized in 2018 and 2017 amounted to $196,293 and $210,802, respectively.

Line of Credit

On February 4, 2016, Habitat-NYC entered into a loan agreement (the Agreement) with 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. During fiscal year ending June 30, 2018, Habitat-NYC renewed and increased the Facility to the amount of $3,000,000. The loan bears interest calculated daily using the London Interbank Offered Rate (LIBOR) plus 5.193% as of 2018 and 2.824% as of 2017.

The loan balance at June 30, 2018 2018 and 2017 amounted to $1,000,000 and zero, respectively. Interest expense in 2018 and 2017 amounted to $3,787 and $33,824, respectively.

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

NOTE 10 DEBT *(continued)*

Recoverable Grant Liability

On November 15, 2017, Habitat-NYC entered into a recoverable grant agreement with Deutsche Bank Americas Foundation (the Foundation), whereby the Foundation will provide $40,000 annually for three years starting November 25, 2017. Habitat-NYC is required to repay the funds in three installments of $40,000 each due November 15, 2020, 2021, and 2022, respectively. The funds are interest free. Habitat-NYC received $40,000 as of June 30, 2018 from the Foundation and has reported the recoverable grant liability at present value net of unamortized discount of $4,320, using a discount rate of 5%.

NOTE 11 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-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. Interest income related to the Board-designated fund amounted to approximately $9,000 and $10,800 in 2018 and 2017, respectively. It is the Board's policy to appropriate such income to support Habitat-NYC's activities. As of June 30, 2018, the Board has not established a spending rate policy for the Board-designated fund.

NOTE 12 NET ASSETS

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.

NOTE 12 NET ASSETS *(continued)*

Temporarily Restricted Net Assets *(continued)*

The activity in temporarily restricted net assets is as follows:

		Fiscal Year 2018 Activity		
	Balance, at June 30, 2017	**Additions**	**Releases from Restrictions**	**Balance, at June 30, 2018**
Projects				
Queens Phase II	$ -	$ 806,224	$ 806,224	$ -
Dean	-	119,662	119,662	-
Sydney	-	7,000	7,000	-
Other				
Disaster Response	-	445,000	142,981	302,019
Brush With Kindness	-	47,986	47,986	-
ReStore	-	111,000	-	111,000
Hurricane Sandy Project	24,025	6,166	30,191	-
Global Village	2,700	3,000	3,000	2,700
Preservation	2,575	284,241	286,816	-
Community Land Trust	-	57,561	57,561	-
Loan Fund	-	463,034	148,362	314,672
2018 Gala	-	7,100	-	7,100
Total	$ 29,300	$ 2,357,974	$ 1,649,783	$ 737,491

		Fiscal Year 2017 Activity		
	Balance, at June 30, 2016	**Additions**	**Releases from Restrictions**	**Balance, at June 30, 2017**
Projects				
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	-
Other				
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	-
Total	$ 70,000	$ 1,595,440	$ 1,636,140	$ 29,300

NOTE 12 NET ASSETS *(continued)*

Non-controlling Interest

The balance of the non-controlling interest attributed to Habitat Latent LLC totaled $2,468,064 and $439,512 at June 30, 2018 and 2017, respectively. The balance of the non-controlling interest attributed to AG Habitat Tilden Street LLC totaled $519,090 and $355,845 at June 30, 2018 and 2017, respectively.

NOTE 13 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 by Habitat-NYC, which are discretionary, totaled $92,536 and $75,946 during the years ended June 30, 2018 and 2017, respectively.

NOTE 14 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 2018 amounted to $276,000.

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 $1,055 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.

NOTE 14 COMMITMENTS AND CONTINGENCIES *(continued)*

Leases *(continued)*

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

Fiscal Year Ending June 30,	Amount
2019	$ 365,750
2020	372,500
2021	382,250
2022	304,900
2023	83,450
Thereafter	184,200
	$ 1,693,050

Rent expense was approximately $402,000 and $387,000 for the years ended June 30, 2018 and 2017, respectively. The cumulative difference between rent expense and amounts paid in accordance with the terms of the lease amounted to $11,060 and $10,223 as of June 30, 2018 and 2017, respectively, and has been reflected as deferred rent liability in the accompanying consolidated statements of financial position. Additionally, $75,000 in lease upgrade incentives were recorded during fiscal year ended June 30, 2018 which are amortized over the term of the lease.

Contingencies

Habitat-NYC was a defendant in a legal proceeding pertaining to matters normally incidental to routine operations. Such litigation included breach of contract. As of June 30, 2017, an accrual of $300,000 had been recorded in the accompanying consolidated financial statements associated with this legal proceeding. During June 30, 2018, the litigation was settled and Habitat-NYC paid the $300,000 accrued as of June 30, 2017, as well as an additional $385,000. The settlement expense is recorded in the accompanying consolidated financial statements.

NOTE 15 SUBSEQUENT EVENTS

Habitat-NYC evaluates events occurring after the date of the consolidated 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 28, 2018, the date the consolidated financial statements were approved for issuance.

On September 28, 2018, Habitat-NYC entered into an agreement with the Bank to increase the line of credit to $5,000,000. The loan bears interest calculated daily using the London Interbank Offered Rate (LIBOR) plus 5.151%.