

*OUR TOWNS OF
NORTH MECKLENBURG-IREDELL
HABITAT FOR HUMANITY, INC.*

*FINANCIAL STATEMENTS
JUNE 30, 2017*

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Our Towns of North Mecklenburg-Iredell Habitat for Humanity
Cornelius, North Carolina

We have audited the accompanying financial statements of Our Towns of North Mecklenburg-Iredell Habitat for Humanity (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Our Towns of North Mecklenburg-Iredell Habitat for Humanity, as of June 30, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and our report dated November 12, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.
October 19, 2017

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc.**Statement of Financial Position****June 30, 2017, with prior year comparative totals**

	June 30,	
	2017	2016
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 993,222	\$ 1,023,895
Receivables:		
Grants and other receivables	124,453	146,603
Mortgages	662,247	629,885
Sales tax	12,818	17,433
Inventories:		
Land held for development	712,755	831,047
Construction in process and materials	382,281	585,426
Homes held for resale	62,862	88,695
Resale stores	204,035	201,218
Prepays	72,720	42,206
Total Current Assets	3,227,393	3,566,408
Other Assets:		
Property and equipment (net of depreciation)	1,082,740	1,112,994
Mortgages receivable (net of current portion and present value discount)	3,927,712	3,665,904
Grants and other receivables (net of current portion)	-	750
Deposit	11,523	27,932
Loan fees (net of amortization)	4,644	6,003
Investments	129,821	149,181
<u>TOTAL ASSETS</u>	\$ 8,383,833	\$ 8,529,172
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 286,294	\$ 227,868
Payroll liabilities	35,111	46,247
Other payables	15,309	15,279
Escrows	20,852	18,515
Notes payable	319,772	195,801
Total Current Liabilities	677,338	503,710
Non-Current Liabilities:		
Notes payable, less current portion	2,540,067	2,507,465
Net Assets:		
Unrestricted	4,939,586	5,376,776
Temporarily restricted	217,070	132,018
Permanently restricted	9,772	9,203
Total Net Assets	5,166,428	5,517,997
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 8,383,833	\$ 8,529,172

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc.**Statement of Activities****Year Ended June 30, 2017, with prior year comparative totals**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTALS</u>	<u>2016 TOTALS</u>
<u>SUPPORT AND REVENUE</u>					
Contributions and grants	\$ 637,670	\$ 428,056	\$ -	\$ 1,065,726	\$ 1,476,844
Gross sales of homes	1,650,579	-	-	1,650,579	1,326,945
Discount on home sales	(1,020,413)	-	-	(1,020,413)	(798,749)
The Restores	2,372,732	-	-	2,372,732	2,529,030
United Way	9,908	68,504	-	78,412	75,334
Loan discount amortization	472,087	-	-	472,087	694,865
Investment income	12,270	-	569	12,839	(5,557)
Gain (loss) on asset disposals	4,356	-	-	4,356	(32,482)
Other income	87,246	-	-	87,246	69,932
Net assets released from restrictions	411,508	(411,508)	-	-	-
<i>TOTAL</i>	<i>4,637,943</i>	<i>85,052</i>	<i>569</i>	<i>4,723,564</i>	<i>5,336,162</i>
<u>EXPENSES</u>					
Program services:					
Housing	2,771,056	-	-	2,771,056	3,005,513
The Restores	1,688,938	-	-	1,688,938	1,867,973
Management and general	243,903	-	-	243,903	251,081
Fundraising	371,236	-	-	371,236	339,579
<i>TOTAL</i>	<i>5,075,133</i>	<i>-</i>	<i>-</i>	<i>5,075,133</i>	<i>5,464,146</i>
<i>CHANGE IN NET ASSETS</i>	<i>(437,190)</i>	<i>85,052</i>	<i>569</i>	<i>(351,569)</i>	<i>(127,984)</i>
<i>NET ASSETS, BEGINNING</i>	<i>5,376,776</i>	<i>132,018</i>	<i>9,203</i>	<i>5,517,997</i>	<i>5,645,981</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 4,939,586</i>	<i>\$ 217,070</i>	<i>\$ 9,772</i>	<i>\$ 5,166,428</i>	<i>\$ 5,517,997</i>

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc.**Statement of Functional Expenses****Year Ended June 30, 2017, with prior year comparative totals**

	Housing	The Restores	Management and General	Fundraising	TOTALS	2016 TOTALS
<u>PERSONNEL</u>						
Wages	\$ 575,076	\$ 737,316	\$ 114,543	\$ 232,606	\$ 1,659,541	\$ 1,736,732
Payroll taxes	47,879	66,614	10,552	20,045	145,090	153,945
Benefits	115,114	161,077	16,473	26,449	319,113	348,339
Total	738,069	965,007	141,568	279,100	2,123,744	2,239,016
<u>OTHER EXPENSES</u>						
Cost of homes	1,625,259	-	-	-	1,625,259	1,733,497
Services	91,013	139,132	14,895	36,440	281,480	326,276
Tithe	105,581	-	-	-	105,581	104,653
Utilities	6,361	74,837	2,718	1,407	85,323	106,942
Depreciation	17,400	34,155	7,500	5,100	64,155	92,715
Insurance	16,168	21,186	30,998	2,663	71,015	65,496
Maintenance	22,432	20,286	6,274	775	49,767	63,792
Auto	26,438	30,665	3,597	3,026	63,726	73,078
Supplies	19,099	21,154	8,093	7,238	55,584	62,460
Taxes and licenses	11,533	28,301	288	237	40,359	45,003
Telephone	13,810	17,627	3,412	5,916	40,765	46,353
Interest expense	9,004	24,386	3,701	968	38,059	42,478
Printing and postage	9,545	8,700	3,165	9,167	30,577	30,106
Travel and food	2,521	3,623	11,814	8,670	26,628	27,580
Advertising	1,844	23,992	162	1,667	27,665	40,205
Dues	25,563	4,333	1,975	3,332	35,203	37,752
Training	3,161	1,545	3,458	2,427	10,591	14,817
Volunteer	5,702	4,162	285	3,103	13,252	10,635
Rents	945	159,930	-	-	160,875	186,625
Donations	19,608	-	-	-	19,608	9,300
Cost of goods sold	-	105,917	-	-	105,917	105,367
Total	2,032,987	723,931	102,335	92,136	2,951,389	3,225,130
TOTAL	\$ 2,771,056	\$ 1,688,938	\$ 243,903	\$ 371,236	\$ 5,075,133	\$ 5,464,146

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc.**Statement of Cash Flows****Year Ended June 30, 2017, with prior year comparative totals**

OPERATING ACTIVITIES

Change in net assets	\$	(351,569)	\$	(127,984)
Adjustments to reconcile change in net assets to cash flows from operating activities:				
Loss (gain) on sale of assets		(4,356)		32,482
Depreciation		64,155		92,715
Amortization of loan discount		(346,194)		(377,695)
Unrealized losses (gains) on investments		(12,169)		11,115
Decrease (Increase) in operating assets:				
Receivables		27,515		(4,124)
Inventories		365,473		320,263
Prepaid and other		(30,514)		12,036
Increase in operating liabilities:				
Payables		47,320		29,914
Escrows		2,337		2,954
<i>Cash Flows from Operating Activities</i>		(238,002)		(8,324)

INVESTING ACTIVITIES

Mortgages made to homeowners (net of discounts)		(630,166)		(528,196)
Principal payments received from homeowners		649,122		681,875
Proceeds from sale of assets		40,600		27,163
Purchase of property and equipment		(40,329)		(21,180)
Proceeds from the sale of investments		31,529		31,627
Purchase of investments		-		(10,222)
<i>Cash Flows from Investing Activities</i>		50,756		181,067

FINANCING ACTIVITIES

Proceeds from notes payable		485,205		1,247,721
Principal payments on notes payable		(198,355)		(1,204,878)
Amortization of non-interest bearing notes		(130,277)		(49,489)
<i>Cash Flows from Financing Activities</i>		156,573		(6,646)

CHANGE IN CASH (30,673) **166,097****CASH, BEGINNING** 1,023,895 **857,798****CASH, ENDING** \$ 993,222 \$ **1,023,895**

NOTE 1 – NATURE OF OPERATIONS

Organization

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc., (Our Towns HFH) is a North Carolina not-for-profit corporation that was established in 1995 and operates from a facility in Cornelius, North Carolina. Our Towns HFH is an affiliate of Habitat for Humanity International (HFH International) and an agency of United Way of Central Carolinas, Inc.

Purpose

The purpose of Our Towns HFH is to create decent, affordable housing and perform rehabilitation repairs for those in need. Our Towns HFH builds homes - whose size averages 1,100 square feet - that are sold to individuals at no profit, utilizing a non-interest bearing mortgage, ranging from 20-30 years. In exchange, the families are required to contribute 300 hours of “sweat equity” towards the construction of their home and other projects. During the year ended June 30, 2017, fourteen houses were sold.

Funding sources

Our Towns HFH is supported primarily through contributions, grants, and homeowner mortgage payments. In addition, Our Towns HFH operates two Restores, which sells donated furniture and goods.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Unrestricted net assets are those which are not subject to donor-imposed stipulations and are currently available for use in the day-to-day operations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Our Towns HFH and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Our Towns HFH. The donors of these assets generally permit Our Towns HFH to use the income earned on any related investments for general or specific purposes.

Cash

Cash and cash equivalents consist of cash on hand, cash in banks, and money market funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Our Towns HFH carries its investments at fair value on the statement of financial position. Gains and losses on the change in the value of investments are recorded as increases or decreases in unrestricted net assets.

Receivables

Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are expected to be received. In addition, management has determined an allowance for doubtful accounts based on an evaluation of the receivables, historical experience, and current and anticipated economic conditions.

Inventories

Store inventories consist of donations to the resale store, which are recorded at an estimated value of one month's sales, and items purchased for resale, which are recorded at cost. Land and construction in process, which are expected to be sold to homeowners, are carried on the books at cost or the fair value when donated. Donated land is recorded at appraised value; however, if an appraisal was not available at the date of the contribution, it is recorded at the value used for assessing local property taxes.

Property and equipment

Property is recorded at cost if purchased or fair value if donated, subject to a \$500 capitalization policy. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful lives of the assets, which range from three years for computers, five to ten years for furniture and equipment, and 30 to 40 years for buildings.

Escrows

The \$20,852 balance in escrows consists primarily of amounts received from homeowners which will be used to pay closing costs for new homeowners.

Donated services

Our Towns HFH pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Our Towns HFH with program services, management and general support, and fundraising efforts. Our Towns HFH depends on volunteers to construct homes and the Restores utilize a large number of volunteers to perform cashier and other functions. No amounts have been reflected in the financial statements for these contributions, as these services generally do not meet the criteria for recording under U.S. generally accepted accounting principles.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated goods

Our Towns HFH receives a large amount of furniture and other goods which are sold in the Restores. Our Towns HFH does not record the value of these goods as a contribution upon receipt because of the uncertainty as to the amount of the proceeds that will be generated when the goods are sold. Goods which are not able to be sold or distributed are donated to other not-for-profit organizations for distribution to those in need. Management estimates that the net realizable value of the inventory at year-end approximated one month's sales.

Federal income tax status

Our Towns HFH is exempt from Federal income tax on its exempt function income under Internal Revenue Code Section 501(c)(3) under a group exemption letter granted to HFH International, which is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Cash flows

Interest expense incurred and paid during the year ended June 30, 2017 amounted to \$38,059.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses

Expenses are allocated to program services, management and general, and fund raising based on management's estimates of time spent and allocation methods appropriate to the type of expense.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with Our Town's HFH's 2016 financial statements, from which the summarized information was derived. Also certain prior-year amounts have been restated to conform with the current year presentation.

NOTE 3 – CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions receivable

Contributions receivable of \$20,650 are presented at net realizable value with no allowance for doubtful accounts. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. A discount for present value was not material to the financial statements and was not recorded. Collection of these contributions is expected during the year ending June 30, 2018.

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 3 – CONTRIBUTIONS AND OTHER RECEIVABLES, continued

Grants and other receivables

The remaining receivable represents \$69,410 of United Way allocation for the year ending June 30, 2017 and grants and other receivables of \$34,393. Management has determined that no allowance for doubtful accounts is necessary based on historical experience. These amounts are shown at net realizable value and are expected to be collected in the subsequent year.

Sales tax receivable

Sales tax paid that will be refunded to Our Towns HFH is shown at net realizable value with no allowance for doubtful accounts and is expected to be collected in the subsequent year.

NOTE 4 – PROPERTY AND EQUIPMENT

Balance at June 30, 2017

Property and equipment which are used by Our Towns HFH in its operations consists of the following at June 30, 2017:

Land	\$ 73,151
Buildings and improvements	1,506,771
Equipment	209,431
Vehicles	<u>139,803</u>
Total	1,929,156
Less – accumulated depreciation	<u>846,416</u>
TOTAL	<u>\$ 1,082,740</u>

NOTE 5 – NOTES PAYABLE

Non-interest bearing notes payable are presented on the financial statements net of a present value discount utilizing a rate of four percent. Notes payable as of June 30, 2017, consists of the following obligations:

Interest bearing

A note due to Peoples Bank payable in monthly installments of \$6,620, applied first to interest at a fixed rate of 3.55 percent and then to principal. This note is secured by a deed of trust on the land and buildings used for Our Towns HFH's offices and resale store and the note matures December, 2020. \$ 850,003

A note due to Yadkin Bank payable in monthly installments of interest only at the Bank's prime rate, subject to a floor of 4.65%. This note is secured by a deed of trust on the related land and buildings. 109,506

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 5 – NOTES PAYABLE, continued

Non-interest bearing

Thirteen separate notes due to HFH/HUD that do not bear interest. Principal payments on these notes total \$3,741 per month. 102,895

Various notes with original balances of \$20,000 - \$40,000 due to North Carolina Housing Finance Agency. These notes do not bear interest and will be repaid as the mortgage payments are collected from the related homeowners. 1,797,435

TOTAL \$ 2,859,839

Maturities of long term debt occur during the year ending June 30:

2018	\$ 319,772
2019	216,036
2020	212,979
2021	847,059
2022	138,756
Thereafter	<u>2,094,693</u>
Total	<u>3,829,295</u>
Less – present value discount	<u>969,456</u>
TOTAL	<u>\$ 2,859,839</u>

NOTE 6 – MORTGAGES RECEIVABLE

Balances at June 30, 2017

Mortgages receivable from homeowners do not bear interest. Therefore, these mortgages are carried on the books net of a discount for the present value of future payments. The rate of interest used to determine this discount is established annually by Habitat for Humanity International and was 7.51 percent for the current fiscal year. Mortgage activity for the year ended June 30, 2017 was as follows:

	<u>Mortgages</u>	<u>Discount</u>
Mortgages receivable, beginning	\$ 9,801,883	\$ 5,506,094
Add – new mortgages	<u>1,650,579</u>	<u>1,020,413</u>
Subtotal	11,452,462	6,526,507
Deduct:		
Property foreclosed and transferred to inventory	83,241	50,173
Payments received and change in value of discount	<u>649,122</u>	<u>346,194</u>
Mortgages receivable, ending	<u>\$ 10,720,099</u>	<u>\$ 6,130,140</u>

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 6 – MORTGAGES RECEIVABLE, continued

Net mortgages receivable of \$4,589,959 are classified as current of \$662,247 and long-term of \$3,927,712 in the accompanying statement of financial position.

NOTE 7 – INVESTMENTS

Investments as of June 30, 2017 consisted of the following:

Cash surrender value of life insurance	\$ 3,401
Beneficial interests in accounts controlled by Foundation for the Carolinas (FFTC)	<u>126,420</u>
TOTAL	<u>\$ 129,821</u>

Investment income

Investment income of \$12,839 during the year ended June 30, 2017, consisted of dividends and interest of \$670, net of realized and unrealized capital losses of \$12,169.

Fair value measurements

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Our Towns cash surrender value of life insurance is classified as a Level 2 asset and is value by the insurance company. The beneficial interest in FFTC assets are classified as Level 3 assets and are valued based on the market value of the underlying funds, which consist of some assets which are publicly-traded and other assets which are not publicly-traded. Changes to these assets during the year were as follows:

Balance, beginning of year	\$ 117,566
Change in value	12,169
Sales	<u>(3,315)</u>
Balance, end of year	<u>\$ 126,420</u>

Our Towns of North Mecklenburg - Iredell Habitat for Humanity, Inc.**Notes to Financial Statements****June 30, 2017**

NOTE 8 – RESTRICTED NET ASSETS*Temporarily restricted*

Temporarily restricted net assets as of June 30, 2017 were restricted to be used for the following purposes:

Time restrictions:

Dream Builders pledges	\$	150	
Women’s Build pledges		500	
United Way allocation		69,410	
Spendable portion of endowment funds		<u>1,327</u>	\$ 71,387

Unutilized funds:

Specific project or home construction			<u>145,683</u>
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TOTAL			<u>\$ 217,070</u>
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During the year, temporarily restricted net assets totaling \$411,508 were released from restrictions. Of that, net assets of \$72,942 were released by the expiration of time restrictions and net assets of \$338,566 were released by utilizing the funds for their restricted purposes. For a total of net assets released of \$411,508.

Permanently restricted

The \$9,772 of permanently restricted net assets represents the balance in an endowment fund with Foundation for the Carolinas. Our Towns HFH may request distributions of investment income from the fund. However, the Board of Directors of the Foundation for the Carolinas has complete discretion as to the timing and amounts of distributions from these funds but has no variance power to distribute any portion of these funds to another nonprofit organization. During the year ended June 30, 2017, Our Towns HFH received no distributions from this fund.

NOTE 9 – LEASE OBLIGATIONS

Lease payments made on office equipment and the rental of Restore locations during the year were \$174,899. Future minimum lease payments under these non-cancelable operating leases are due during the year ending June 30:

2018	\$	167,531
2019		166,633
2020		161,961
2021		<u>13,327</u>
TOTAL	\$	<u>509,452</u>

The lease for the Restore location contains an option to extend which may be exercised at Our Towns HFH’s discretion.

NOTE 10 – RELATED PARTY TRANSACTIONS

Our Towns HFH regularly remits a portion of its contributions to HFH International for construction of houses in Guatemala. During the year ended June 30, 2017, the amount remitted for Guatemala was \$105,581. This amount is shown as a title in the accompanying statement of functional expenses.

NOTE 11 - RETIREMENT PLAN

Our Towns HFH maintains a SIMPLE retirement plan for the benefit of its employees. Eligible employees can make pretax contributions to the plan up to limits established by the Internal Revenue Service and Our Towns HFH makes matching contributions on behalf of its employees. For the current fiscal year Our Towns HFH contributed \$28,128 to the plan, based on a match of employees' contributions not exceeding three percent of compensation.

NOTE 12 – CONCENTRATIONS OF RISK

Cash

Our Towns HFH occasionally maintains cash balances in excess of insured limits. At June 30, 2017, the uninsured balance was \$741,853. However, management believes that the risk related to the accounts is minimal due to the credit worthiness of the financial institutions.

Geographic area

Our Towns HFH operates in a small geographic area, and is therefore sensitive to changes in the local economy.

NOTE 13 – CONTINGENT LIABILITY

Mortgages sold

During a previous year Our Towns HFH sold fifteen mortgages to a local financial institution (the Bank). Even though ownership of the mortgages transferred to the Bank, the agreement contains a provision that, in the event that any of the mortgages are delinquent by more than ninety days, Our Towns HFH must replace the delinquent mortgage with a comparable substitute mortgage acceptable to the Bank or repurchase the mortgage at its face value. As of the date of this report, none of the mortgages held by the Bank were delinquent.

Grant

During a previous year, Our Towns HFH received a grant of \$435,204 from the Federal Home Loan Bank related to the construction of eight houses. This grant reduced the amount Our Towns HFH charged the homeowners for the purchase of their homes, but the homeowners are subject to repayment of these amounts under certain conditions. However, in the event of default, Our Towns HFH is contingently liable for repayment of these amounts. As of the date of this report, none of the homeowners were delinquent.

NOTE 14 – SUBSEQUENT EVENTS

Our Towns HFH has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period no material recognizable subsequent events were identified.