Habitat for Humanity Saint Louis and Affiliates

Combined Financial Statements
and Independent Auditor's Report

December 31, 2018 and 2017

CohnReznick
Accounting • Tax • Advisory

Habitat for Humanity Saint Louis and Affiliates

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Independent Auditor's Report

Board of Directors
Habitat for Humanity Saint Louis and Affiliates
St. Louis, MO

We have audited the accompanying combined financial statements of Habitat for Humanity Saint Louis and its affiliates, which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Saint Louis and its affiliates as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Adoption of New Accounting Standard

As discussed in Note 2, Habitat for Humanity Saint Louis and its affiliates adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retroactively to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as permitted by the standard. Our opinion is not modified with respect to this matter.

CohnReznick LLP

Chicago, Illinois
August 14, 2019

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Financial Position
December 31, 2018 and 2017

Assets

	2018	2017
Current assets		
Cash and cash equivalents	$ 92,167	$ 191,735
Restricted cash	59,344	2,177,173
Investments	-	4,839
Pledges receivable	51,004	75,024
Grants receivable	37,819	66,500
Other receivables	168,732	58,562
Home construction and inventory	1,419,474	1,591,914
ReStore inventory	330,606	273,945
Prepaid expenses and other assets	212,643	48,697
Total current assets	2,371,789	4,488,389
Fixed assets		
Property and equipment, net	3,899,813	1,576,665
Total fixed assets	3,899,813	1,576,665
Long-term assets		
Mortgages receivable, net	1,800,693	1,717,514
Investments in new markets tax credit programs	2,752,395	7,666,050
Capitalized costs, net	111,303	150,472
Total long-term assets	4,664,391	9,534,036
Total assets	$ 10,935,993	$ 15,599,090

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Financial Position
December 31, 2018 and 2017

Liabilities and Net Assets

	2018	2017
Current liabilities		
Lines of credit	$ 1,748,437	$ 1,753,070
Current portion of long-term debt	24,781	383,454
Accounts payable and accrued expenses	1,067,998	842,072
Deferred revenue	354,212	160,147
Total current liabilities	3,195,428	3,138,743
Deposits liability		
Mortgage escrows	338,551	327,657
Long-term liabilities		
Long-term debt	6,001,944	11,388,775
Total liabilities	9,535,923	14,855,175
Net assets		
Without donor restrictions	1,337,605	674,590
With donor restrictions	62,465	69,325
Total net assets	1,400,070	743,915
Total liabilities and net assets	$ 10,935,993	$ 15,599,090

See Notes to Combined Financial Statements.

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Activities
Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Operating support and revenue			
Contributions and sponsorships	$ 1,752,271	$ 98,650	$ 1,850,921
Grants	118,960	-	118,960
Sales to homeowners	974,000	-	974,000
ReStore retail sales	1,249,355	-	1,249,355
Donated property, materials and services	1,308,175	461,544	1,769,719
Fundraising and special events revenue (net of expenses of $5,861)	54,124	760	54,884
Other income	374,873	-	374,873
Net assets released from restrictions	567,814	(567,814)	-
Total operating support and revenue	6,399,572	(6,860)	6,392,712
Operating expenses			
Program services:			
Home construction and construction support	3,224,515	-	3,224,515
ReStore retail operations	2,594,225	-	2,594,225
Total program services	5,818,740	-	5,818,740
Supporting activities:			
Management and general	727,102	-	727,102
Fundraising	353,024	-	353,024
Total supporting activities	1,080,126	-	1,080,126
Total operating expenses	6,898,866	-	6,898,866
Other revenue			
Debt forgiveness income	1,107,707	-	1,107,707
Net investment return	54,602	-	54,602
Total other revenue	1,162,309	-	1,162,309
Change in net assets	663,015	(6,860)	656,155
Net assets - beginning of year	674,590	69,325	743,915
Net assets - end of year	$ 1,337,605	$ 62,465	$ 1,400,070

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Activities
Year Ended December 31, 2017

	Without donor restrictions	With donor restrictions	Total
Operating support and revenue			
Contributions and sponsorships	$ 2,308,756	$ 104,111	$ 2,412,867
Grants	565,247	-	565,247
Sales to homeowners	1,303,000	-	1,303,000
ReStore retail sales	1,097,805	-	1,097,805
Donated property, materials and services	1,124,729	142,881	1,267,610
Fundraising and special events revenue (net of expenses of $11,172)	22,027	2,620	24,647
Other income	244,276	-	244,276
Net assets released from restrictions	251,992	(251,992)	-
Total operating support and revenue	6,917,832	(2,380)	6,915,452
Operating expenses			
Program services:			
Home construction and construction support	3,514,370	-	3,514,370
ReStore retail operations	2,334,475	-	2,334,475
Total program services	5,848,845	-	5,848,845
Supporting activities:			
Management and general	881,116	-	881,116
Fundraising	315,671	-	315,671
Total supporting activities	1,196,787	-	1,196,787
Total operating expenses	7,045,632	-	7,045,632
Other revenue			
Gain on sale of property and equipment	969,951	-	969,951
Net investment return	66,580	-	66,580
Total other revenue	1,036,531	-	1,036,531
Change in net assets	908,731	(2,380)	906,351
Net assets - beginning of year	(234,141)	71,705	(162,436)
Net assets - end of year	$ 674,590	$ 69,325	$ 743,915

See Notes to Combined Financial Statements.

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Functional Expenses
Year Ended December 31, 2018

	Program services			Supporting activities			
	Construction	ReStore operations	Total	Management and general	Fundraising	Total	Total
Salaries and wages	$ 826,993	$ 555,942	$ 1,382,935	$ 260,342	$ 226,678	$ 487,020	$ 1,869,955
Employee taxes and benefits	226,352	131,841	358,193	59,375	44,283	103,658	461,851
Home construction costs	1,195,739	-	1,195,739	595		595	1,196,334
Discount on mortgages	201,903	-	201,903	-	-	-	201,903
Impairment on inventory	23,951	-	23,951	-	-	-	23,951
Cost of merchandise sales	-	1,248,904	1,248,904	-	-	-	1,248,904
New market tax credit expenses	65,655	-	65,655	-	-	-	65,655
Bad debt	25,499	-	25,499	-	-	-	25,499
Committee expenses	3,818	87	3,905	9,196	642	9,838	13,743
Computer expenses	3,545	4,356	7,901	13,627	648	14,275	22,176
Depreciation and amortization	197,470	45,098	242,568	8,443	-	8,443	251,011
Facilities cost	21,788	508,060	529,848	118,281	3,250	121,531	651,379
Insurance	14,707	834	15,541	34,879	-	34,879	50,420
Interest expense and service charges	226,391	19,858	246,249	36,485	5,254	41,739	287,988
Marketing and public relations	80,958	8,078	89,036	3,791	41,945	45,736	134,772
Miscellaneous	33,910	9,026	42,936	9,951	8,509	18,460	61,396
Office expenses	20,707	20,518	41,225	18,949	15,922	34,871	76,096
Postage	698	20	718	989	746	1,735	2,453
Professional fees	25,000	-	25,000	145,651	-	145,651	170,651
Telephone	12,240	7,991	20,231	3,831	2,195	6,026	26,257
Travel and meals	606	228	834	-	-	-	834
Vehicle	16,585	33,384	49,969	2,717	2,952	5,669	55,638
	$ 3,224,515	$ 2,594,225	$ 5,818,740	$ 727,102	$ 353,024	$ 1,080,126	$ 6,898,866

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Functional Expenses
Year Ended December 31, 2017

	Program services			Supporting activities			
	Construction	ReStore operations	Total	Management and general	Fundraising	Total	Total
Salaries and wages	$ 701,997	$ 465,166	$ 1,167,163	$ 355,852	$ 207,249	$ 563,101	$ 1,730,264
Employee taxes and benefits	184,950	131,873	316,823	77,236	40,938	118,174	434,997
Home construction costs	1,775,561	-	1,775,561	1,000		1,000	1,776,561
Discount on mortgages	209,080	-	209,080	-	-	-	209,080
Impairment on inventory	146,661	-	146,661	-	-	-	146,661
Cost of merchandise sales	-	1,097,058	1,097,058	-	-	-	1,097,058
New market tax credit expenses	58,725	-	58,725	-	-	-	58,725
Bad debt	3,260	-	3,260	-	-	-	3,260
Committee expenses	3,873	-	3,873	10,727	795	11,522	15,395
Computer expenses	6,978	8,678	15,656	7,435	4,600	12,035	27,691
Depreciation and amortization	33,737	40,028	73,765	14,887	-	14,887	88,652
Facilities cost	54,525	498,583	553,108	78,747	121	78,868	631,976
Insurance	445	1,193	1,638	33,453	-	33,453	35,091
Interest expense and service charges	180,997	15,711	196,708	29,403	6,646	36,049	232,757
Marketing and public relations	57,990	7,148	65,138	1,316	30,904	32,220	97,358
Miscellaneous	35,741	12,778	48,519	74,357	5,306	79,663	128,182
Office expenses	16,327	14,013	30,340	14,233	11,692	25,925	56,265
Postage	1,130	43	1,173	1,259	873	2,132	3,305
Professional fees	12,945	-	12,945	174,497	-	174,497	187,442
Telephone	12,686	8,413	21,099	6,012	2,314	8,326	29,425
Travel and meals	2,934	-	2,934	211	1,021	1,232	4,166
Vehicle	13,828	33,790	47,618	491	3,212	3,703	51,321
	$ 3,514,370	$ 2,334,475	$ 5,848,845	$ 881,116	$ 315,671	$ 1,196,787	$ 7,045,632

See Notes to Combined Financial Statements.

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Contribution and sponsorship receipts	$ 1,764,771	$ 2,449,621
Grant receipts	316,207	211,644
Sales to homeowners receipts	1,007,832	773,529
ReStore retail receipts	1,249,611	1,098,450
Net fundraising and special events receipts	54,884	24,647
Investment receipts	54,602	66,129
Other operating receipts	300,522	172,114
Total receipts	4,748,429	4,796,134
Salaries and wages paid	(2,127,010)	(2,158,929)
Home construction costs paid	(677,015)	(1,504,922)
Cost of merchandise sales	(146)	(392)
New markets tax credit transaction costs paid	(65,655)	(58,725)
Committee expenses paid	(13,743)	(15,395)
Computer expenses paid	(22,176)	(27,691)
Facilities expenses paid	(828,427)	(604,738)
Insurance paid	(35,793)	(32,160)
Interest expense and service charges paid	(286,113)	(260,270)
Marketing and PR expenses paid	(134,772)	(97,358)
Administrative expenses paid	(209,199)	(215,830)
Professional fees paid	(170,651)	(187,442)
Total disbursements	(4,570,700)	(5,163,852)
Net cash provided by (used in) operating activities	177,729	(367,718)

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from investing activities		
Proceeds from sale of investments	4,839	82,395
Investment in Harbor Habitat Leverage II, LLC	-	(1,260,552)
Guarantee fees paid	-	(131,108)
Proceeds from sale of property and equipment	-	2,400,000
Purchases of property and equipment	(2,529,828)	(1,231,458)
Net cash used in investing activities	(2,524,989)	(140,723)
Cash flows from financing activities		
(Payments on) / proceeds from line of credit, net	(4,633)	255,684
Proceeds from long-term debt	147,996	3,915,229
Principal payments on long-term debt	(13,500)	(1,558,293)
Net cash provided by financing activities	129,863	2,612,620
Net (decrease) increase in cash, cash equivalents, and restricted cash	(2,217,397)	2,104,179
Cash, cash equivalents, and restricted cash, beginning	2,368,908	264,729
Cash, cash equivalents, and restricted cash, end	$ 151,511	$ 2,368,908
Significant noncash investing and financing activities		
Purchases of property and equipment	$ -	$ (136,200)
Accounts payable and accrued expenses	-	136,200
Investment in NMTC 2011	4,772,293	-
Loan payable in NMTC 2011	(5,880,000)	-
Debt forgiveness in NMTC 2011	1,107,707	-
	$ -	$ -

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	$ 656,155	$ 906,351
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Discount on home construction and inventory	23,951	146,661
Discount on mortgages receivable	201,903	209,080
Donated property, materials and services	(56,917)	(28,064)
Bad debt	25,499	3,260
Depreciation and amortization	251,011	88,652
Gain on sale of property and equipment	-	(969,951)
Debt forgiveness	(1,107,707)	-
Unrealized (gain) loss on investments	-	(756)
Changes in assets and liabilities:		
Pledges receivable, net	(1,479)	61,234
Grants receivable, net	28,681	(27,917)
Other receivables, net	(110,170)	(27,740)
ReStore inventory	256	646
Home construction and inventory	148,489	328,884
Prepaid expenses	(163,946)	6,703
Mortgages receivable	(285,082)	(484,918)
Accounts payable and accrued expenses	362,126	(256,997)
Mortgage escrows	10,894	(420)
Deferred revenue	194,065	(322,426)
Net cash provided by (used in) operating activities	$ 177,729	$ (367,718)

See Notes to Combined Financial Statements.

Note 1 - Organization

Habitat for Humanity Saint Louis ("Habitat") was organized as a non-profit organization in the state of Missouri and is associated with Habitat for Humanity International, Inc. Habitat has received tax exempt status under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954 to construct affordable, decent housing for sale to low-income families at cost and to build communities by encouraging existing homeowners to upgrade and improve their property.

On July 10, 2014, HFHSL Community Housing Development Organization ("HFHSL CHDO") and on January 27, 2015, HFHSL Community Housing Development Corporation II ("HFHSL CHDC II"), were formed in the State of Missouri.

HFHSL CHDO and HFHSL CHDC II are Community Housing Development Organizations ("CHDO's") sanctioned by the U.S. Department of Housing and Urban Development's ("HUD") HOME Program, whose purpose is to assist in developing community low-income housing. CHDO's receive certain priority and eligibility for HUD grants.

These combined financial statements include the accounts of Habitat for Humanity Saint Louis, HFHSL Community Housing Development Organization, and HFHSL Community Housing Development Corporation II (collectively, the "Organization"). Inter-company activity is eliminated in combination.

The primary source of the Organization's revenues is contributions and sponsorships received from the general public, corporations, and religious organizations. Habitat also operates two retail hardware stores (the "ReStores") with sales to the general public. Inventory is primarily donated, with the sale proceeds used to carry out the Organization's mission.

The Organization's activities are primarily comprised of the following:

Program services
Home construction, financing and support - Includes all home construction costs such as materials, supplies, labor and overhead, as well as financing certain mortgages for the homeowners. This programming also includes construction supporting costs such as real estate development, volunteer mobilization and family selection services.

ReStore operations - Includes salaries, utilities, and overhead necessary to operate two discount and recycled materials hardware stores. This programming also includes the estimated value of donated merchandise sold in the stores.

Supporting activities
Management and general - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; and manage the combined financial and budgetary responsibilities of the Organization.

Fundraising - Provides the structure necessary to encourage and secure combined financial support for the Organization through grants, contributions, and special events.

Note 2 - Summary of significant accounting policies

Basis of presentation

The Organization is required to report information regarding its combined financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Additionally, information is required to segregate program service expenses from support expenses. Support expenses include management and general and fundraising expenses.

Revenue recognition

Contributions and grants received are recorded as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions. Contributions of assets other than cash are recorded at their estimated fair market value.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues. The expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled, or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional pledges receivable that are expected to be collected within a year are recorded at their net realizable value when the donor makes the promise. Unconditional pledges receivable that are expected to be collected in the future years are recorded at the present value of their estimated future cash flows.

Grants that are received prior to recognition of revenue are recorded as deferred revenue.

Sales to homeowners represent the sale of homes built or rehabilitated by the Organization. The resulting mortgages are noninterest-bearing and have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. The Organization recognizes income from the sales to homeowners on the completed contract method when home closings occur.

Donated property, materials and services

Donated materials are valued at the lower of estimated donor cost or fair value at the date of contribution. Certain professional services are donated to the Organization by various organizations. Since these donated services meet the criteria for recognition, as stated by generally accepted accounting principles, they are recorded at fair value at the date of donation. In addition, a substantial number of volunteers have donated a significant amount of time to the Organization. These donated services have not been recognized as contributions in the combined financial statements since the recognition criteria, as stated by generally accepted accounting principles, were not met. Some donated materials and services are designated by the donor for specific construction projects, and accordingly, are recorded as with donor restrictions.

Donated investments are recorded at the fair market value as of the date of the contribution. Gains and losses on investments and other assets or liabilities, are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

Net assets

The Organization classifies net assets as without donor restrictions and with donor restrictions.

Without donor restrictions net assets of the Organization are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

With donor restrictions net assets of the Organization result (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither or either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

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

Fair value of assets
Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

The accounting guidance for fair value measurement also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The fair value hierarchy is as follows:

- Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes listed equities, securities and listed derivatives.

- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

- Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significant of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the Organization's investments that are recorded at fair value according to the hierarchy levels at December 31, 2018 and 2017:

2018	Level 1	Level 2	Level 3
Short-term investments	$ -	$ -	$ -

2017	Level 1	Level 2	Level 3
Short-term investments	$ 4,839	$ -	$ -

Investments
The Organization's short-term investments consist of various securities. The Organization's short-term investments are classified as securities and are carried at fair value determined based on Level 1 inputs as of the date nearest the balance sheet date. All investment activity is reflected in the accompanying combined statements of activities as net investment return.

The Organization's long-term investments are investments in entities related to the New Markets Tax Credit ("NMTC") program. The NMTC investments are accounted for using the equity method. Under the equity method, the initial investment is recorded at cost and is subsequently increased or decreased by its share of income or loss and increased or decreased by the amount of any contributions made or distributions received.

Cash and cash equivalents
The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventory
Inventory primarily consists of ReStore merchandise, construction in progress, homes available for sale, and land and buildings occupied and subject to lease with the option to purchase.

ReStore inventory consists of materials and is stated at donated value. Any purchased inventory is stated at the lower of cost or market value.

All direct material and equipment costs and indirect costs related to home construction are recorded as construction in progress inventory. When revenue from the sale of a home is recognized, the corresponding costs are expensed in the combined statement of activities and changes in net assets as program services.

Homes are transferred from construction in progress to homes available for sale once completed, with the accrued impairment for the sale of the mortgage and the expected loss on the sale of the property. Homes available for sale also includes foreclosed homes mortgage balances which are recorded at the unpaid mortgage balance at the time of foreclosure.

Mortgages receivable
Mortgages receivable consist of noninterest bearing notes received from homebuyers in connection with the sale of homes constructed by the Organization. The notes are discounted to their present

values using various interest rates at the time of closing. The discount is amortized over the lives of the mortgages using the effective interest method. An allowance for estimated doubtful accounts has been setup based on past collection experience of homeowners.

Assets held for sale
Long-lived assets to be sold are classified as "held for sale" in the period in which certain criteria are met such as the estimated timeframe in which the assets are expected to be sold. As a result, depreciation is not recorded on an asset once deemed to be held for sale, and it is recorded in the financial statements at the lower of its carrying value or fair value less cost to sell.

Capitalization and depreciation
Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Assets are depreciated over their estimated service lives. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

Construction in progress
Costs incurred for construction in progress are capitalized when incurred. If at any time management determines that the costs incurred would no longer provide a future benefit to the Organization, the costs are expensed in the period in which the determination is made.

Capitalized costs
Guarantee fees paid in conjunction with the NMTC investments are capitalized and amortized over seven years, the NMTC guarantee period.

Impairment of long-lived assets
The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses have been recognized during 2018 and 2017, respectively.

Income taxes
Habitat has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2018 and 2017. Due to its tax-exempt status, Habitat is not subject to income taxes. They are required to file, and do file, tax returns with the IRS and other taxing authorities. The Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS generally for three years after they were filed.

Advertising costs
Advertising costs are charged to operations when incurred.

Functional expenses
The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Included in each functional category are the expenses directly attributable to that functional area plus certain indirect or shared costs that have been allocated to the area. Expenses are allocated based on program, management and general, and resource development, with ReStore expenses being separately netted. Program expenses are defined as all costs related to the construction of homes, including hard and soft costs of a

development, as well as all construction overhead expenses (staff salaries and benefits, and operating expenses related to construction). Program expenses also include the costs of mobilizing the volunteers used in the construction of homes, as well as the cost to select and educate partner families.

Adoption of new accounting pronouncements
In August 2016, the FASB issued Accounting Standard Update ("ASU") ASU No. 2016-14, Not-for-Profit Entities (Topic 958) ("ASU 2016-14"), which improves the presentation of financial statements of not-for-profit entities. The change is intended to provide more useful information to donors, grantors and other users. The ASU impacts all not-for-profit entities in the scope of Topic 958. The ASU addresses the following key qualitative and quantitative matters: 1) net asset classes, 2) investment return, 3) expenses, 4) liquidity and availability of resources and 5) presentation of operation cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. ASU 2016-14 has been applied to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as permitted by the standard.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

	ASU 2016-14 Classifications		
Net Assets Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	$ 674,590	$ -	$ 674,590
Temporarily Restricted	-	69,325	69,325
Net assets as previously presented	674,590	69,325	743,915
Net assets, as reclassified	$ 674,590	$ 69,325	$ 743,915

Reclassifications
Certain reclassifications have been made to the prior year balances to conform to the current year presentation. These reclassifications do not restate the prior year combined financial statements and are for presentation purposes only.

Note 3 - Availability and liquidity

The following represents Habitat's financial assets at December 31, 2018:

Financial assets at year end:		
Cash and cash equivalents	$	92,167
Restricted cash		59,344
Contributions receivable		88,823
Total financial assets		240,334
Less amounts not available to be used within one year		
Net assets with donor restrictions		62,465
Financial assets not available to be used within one year		62,465
Financial assets available to meet general expenditures within one year	$	177,869

Liquidity management
The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, construction expenditures, liabilities and other obligations become due. The Organization utilizes project specific construction lines of credit to manage hard and soft construction expenses, as well as certain organization expenses as related directly to the construction program. These lines exist solely during the specific construction period and are paid in full upon the origination of a repayable mortgage on the sale of each home.

To help manage unanticipated liquidity needs, the Organization utilizes short term (on a daily basis) cash flow analysis and projection report. The Organization also utilizes a long term cash flow analysis that operates as a trended P&L report which uses the annual budget as a basis, but is updated in real time to reflect actual revenue and expenses. This allows for the projection of the availability of cash surplus and thus enhanced planning and budgeting for times of unexpected liquidity needs.

Additionally, the Organization has a proven track record of applying for and receiving grants and tax credit allocations that have been utilized to cover any gaps in revenue versus expense, as well as to actually fund ongoing operational expenses.

Note 4 - Cash and cash equivalents

The Organization maintains its cash reserve balances in several accounts. The cash reserve balances are insured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash reserve balances during the years ended December 31, 2018 and 2017.

Restricted cash consists of the following as of December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents held in checking and money market accounts designated by the board for specific purposes (Note 17)	$ -	$ 4,839
Homeowner repair escrow	2,724	6,811
Restricted for NMTC expenses (Note 11)	56,620	165,523
Project fund (Note 5)	-	2,000,000
	$ 59,344	$ 2,177,173

Note 5 - Project fund

In accordance with the Financing Agreement dated December 1, 2017 (the "Financing Agreement"), proceeds from the Series 2017 Revenue Bonds (see Note 16) are required to be deposited with Royal Bank of Missouri, the fiscal agent. The project fund is to be used to pay for the rehabilitation costs of the Organization's new administrative office building at 3830 South Grand Boulevard. During 2018, the funds were used towards the construction of the new office building. As of December 31, 2018 and 2017, the balance in the project fund was $0 and $2,000,000, respectively, which is included in restricted cash on the accompanying combined statements of financial position.

Note 6 - Investments

Investments are carried at fair value in accordance with generally accepted accounting principles. Investments consist of the following as of December 31, 2018 and 2017:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Equity mutual funds	$ -	$ -	$ -	$ -
Fixed income mutual funds	-	-	-	-
Money market funds	-	-	-	4,839
	$ -	$ -	$ -	$ 4,839

Certain investments have been designated by the Board for specific purposes (see Note 17). Income on those investments includes the following for the years ended December 31, 2018 and 2017:

	2018	2017
Investment income from NMTC investments	$ 53,850	$ 62,045
Interest and dividend income	752	4,084
Unrealized gain on investments	-	11
Realized gain on investments	-	745
	$ 54,602	$ 66,885

As of December 31, 2018 and 2017, investment fees of approximately $0 and $305, respectively, are included in net investment return on the combined statements of activities.

Note 7 - Pledges receivable

Pledges, or promises to give, consist of contributions restricted for the purpose of building a home. At December 31, 2018 and 2017, pledges receivable for house sponsorships totaled $51,004 and $75,024, respectively. The promises to give are unconditional and are expected to be collected within one year.

Note 8 - Grants receivable and grant revenue

Grants receivable as of December 31, 2018 and 2017 consists primarily of reimbursement type grants for home construction costs:

	2018	2017
Affordable Housing Trust Fund	$ -	$ 13,500
Jefferson Solid Waste	37,819	35,000
Federal Home Loan Bank Funds	-	18,000
	$ 37,819	$ 66,500

Grant revenue earned during 2018 and 2017 consists of the following:

	2018	2017
Affordable Housing Trust Fund	$ -	$ 27,000
City of St. Louis CDBG Funds	49,960	249,800
City of St. Louis HOME Funds	-	7,065
St. Louis County HOME Funds	39,000	228,382
Jefferson Solid Waste	30,000	35,000
Federal Home Loan Bank Funds	-	18,000
	$ 118,960	$ 565,247

Note 9 - Mortgages receivable

Mortgages receivable consist of noninterest-bearing mortgages secured by real estate, receivable in monthly installments through years ranging to 2048. Mortgage receivables include those mortgages repurchased from CitiMortgage upon homeowner default and second promissory notes on homes under the zero-equivalent mortgage method. Each mortgage is discounted to the value it could be sold to a third-party lender.

The Organization utilizes an affordable mortgage analysis method for financing homes. Under this method, the lending bank charges the homebuyer a below-market rate of interest. The monthly payments the homebuyer makes to the lending bank are the same as if the Organization was providing a zero-percent loan directly to the homebuyer. The Organization sells homes at a reduced price in order for the mortgage with interest to be equivalent to the mortgage with no interest at a normal sale price. The Organization holds the second mortgage on each home which will be forgiven over the life of the mortgage.

Mortgages receivable as of December 31, 2018 and 2017 are presented net of unamortized discount resulting from the imputation of interest as follows:

	2018	2017
Mortgages receivable at face value	$ 4,501,035	$ 4,334,391
Less: Reserve	(2,135,419)	(2,114,764)
Less: Allowance for doubtful accounts	(564,923)	(502,113)
Long-term portion of mortgages receivable	$ 1,800,693	$ 1,717,514

Note 10 - Home construction and inventory

Home construction and inventory for the years ended December 31, 2018 and 2017 consists of the following:

	2018	2017
Land	$ 229,700	$ 231,770
Construction in progress	1,157,558	1,170,291
Leased and available-for-sale homes	32,216	189,853
	$ 1,419,474	$ 1,591,914

Leases for homes contain purchase options, which allow the lessee to purchase the home with an affordable mortgage payable over 30 years. Leased and available-for-sale homes are valued in inventory at the lower of cost or net realizable proceeds after all expected selling costs. During 2018, all leased homes have been sold to Habitat homebuyers. During 2017, there were three leased and available-for-sale homes in inventory. Two are leased as rent-to-own and the remaining one home is vacant.

Note 11 - Investments in New Markets Tax Credit programs

Habitat entered into three transactions involving New Markets Tax Credit ("NMTC") financing. Under the NMTC structure, Habitat makes investments in a leverage lender, whose sole purpose is to lend to an investment fund. The investment fund entity also receives capital contribution equity from private investors. The private investor receives tax credits in return for its contribution into the investment fund. The investment fund uses the loan from the leverage lender and the equity from the investors to make an investment in a community development entity ("CDE"). All of the proceeds received by the CDE are then loaned to Habitat.

Investment in HFHSTL Leverage Lender, LLC

In 2009, Habitat made an investment in HFHSTL Leverage Lender, LLC in the amount of \$3,764,468, plus transaction costs of \$105,198. Habitat was the 99.99% member of HFHSTL Leverage Lender, LLC. Habitat recorded its investment at cost plus transaction costs. In return for its investment, Habitat received a loan from USBCDE Sub-CDE XXXVII, LLC in the amount of $4,950,000.

In December 2015, USBCDE Investment Fund XXXVII, LLC (the "2009 Fund") and the upstream effective owner of USBCDE Sub-CDE XXXVII, LLC (holder of a promissory note due from Habitat) exercised its put option. Under the terms of the put option agreement, HFHSTL Leverage Lender, LLC purchased the ownership interest of the 2009 Fund. Exercise of the option effectively extinguished Habitat's outstanding debt owed to the 2009 Fund and resulted in $1,185,532 in debt forgiveness income during 2015.

In 2011, Habitat made an additional investment in HFHSTL Leverage Lender, LLC in the amount of $4,772,293, plus transaction costs of $141,362. Habitat recorded its investment at cost plus transaction costs. In return for its investment, Habitat received a loan from CBKC Subsidiary CDE X, LLC in the amount of $5,880,000.

As of December 31, 2018 and 2017, Habitat's investment in HFHSTL Leverage Lender, LLC is $0 and $4,913,655, respectively.

According to the option agreement, U.S. Bancorp Community Development Corporation ("USB"), who owns all of the membership interest in Habitat STL-CBKC Investment Fund, LLC, which is the 99.99% owner of CBKC Subsidiary CDE X, LLC, has an option to sell its ownership interest in Habitat STL-CBKC Investment Fund LLC to HFHSTL Leverage Lender, LLC. In July 2018, the put option was exercised. Under the terms of the put option agreement, HFHSTL Leverage Lender, LLC purchased the ownership interest of the 2009 Fund. Exercise of the option effectively extinguished Habitat's outstanding debt owed to the 2009 Fund and resulted in $1,107,707 in debt forgiveness income.

Investment in CCML Leverage I, LLC

In 2012, Habitat made an investment in CCML Leverage I, LLC in the amount of $1,448,866, plus transaction costs of $42,977. Habitat is the 20% member of CCML Leverage I, LLC. Habitat recorded its investment at cost plus transaction costs. In return for its investment, Habitat received a loan from CCM Community XVII LLC in the amount of $1,880,000.

As of December 31, 2018 and 2017, Habitat's investment in CCML Leverage I, LLC is $1,491,843.

In December 2019, USBCDE Investment Fund XVII, LLC (the "2012 Fund") and the upstream effective owner of CCM Community XVII LLC (holder of a promissory note due from Habitat) is expected to exercise its put option. Under the terms of the put option agreement, CCML Leverage I, LLC is expected to purchase the ownership interest of the 2012 Fund. If the put option is not exercised, CCML Leverage I, LLC has the option to purchase (call), at any time during the 12-month period following the expiration of the put option, 100% ownership interest of the 2012 Fund at fair market value. Exercise of the option will effectively allow Habitat to extinguish its outstanding debt owed to the 2012 Fund.

Investment in Harbor Habitat Leverage II, LLC

In 2017, Habitat made an investment in Harbor Habitat Leverage II, LLC in the amount of $1,207,410, plus transaction costs of $53,142. Habitat is the 16.67% member of Harbor Habitat Leverage II, LLC. Habitat recorded its investment at cost plus transaction costs. In return for its investment, Habitat received a loan from Harbor Community Fund XIII, LLC in the amount of $1,715,000.

As of December 31, 2018 and 2017, Habitat's investment in Harbor Habitat Leverage II, LLC was $1,260,552.

In December 2024, Twain Investment Fund 296, LLC (the "2017 Fund") and the upstream effective owner of Harbor Community Fund XIII, LLC (holder of the promissory note due from the Habitat) is expected to exercise its put option. Under the terms of the put option agreement, Harbor Habitat Leverage II, LLC is expected to purchase the ownership interest of the 2017 Fund. If the put option is not exercised, Harbor Habitat Leverage II, LLC has the option to purchase (call), at any time during the 12-month period following the expiration of the put option. Exercise of the option will effectively allow Habitat to extinguish its outstanding debt owed to the 2017 Fund.

Management expects the put option for each of its NMTC transactions to be exercised at the end of each respective compliance period. If that does occur, management anticipates revenue from the forgiveness of debt as follows for the years ending December 31:

	Revenue
2019	$ 388,157
2020	-
2021	-
2022	-
2023	-
2024	454,408
Total	$ 842,565

Interest income earned from the investments and interest expense incurred from the loans during the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Interest income	$ 53,850	$ 62,045
Interest expense	(65,644)	(62,056)
Net interest	$ (11,794)	$ (11)

Note 12 - Fixed assets

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment as of December 31, 2018 and 2017 is comprised of the following:

	Useful life	2018	2017
Land	N/A	$ 1,141,364	$ 1,141,364
Building and improvements	10 - 40 years	2,788,450	365,909
Equipment	3 - 39 years	532,265	628,523
Vehicles	5 years	173,137	106,487
Computer software	3 years	42,687	73,903
Construction in progress	N/A	-	136,200
Total property and equipment		4,677,903	2,452,386
Less: Accumulated depreciation		(778,090)	(875,721)
Property and equipment, net		$ 3,899,813	$ 1,576,665

Depreciation expense for the years ended December 31, 2018 and 2017 was $70,480 and $57,327, respectively.

Sale of 3763 Forest Park Avenue
During prior years, management committed to a plan to sell the administrative office building at 3763 Forest Park Ave in St. Louis, MO. On November 25, 2016, Habitat entered into a Purchase and Sale Agreement with Midas Acquisition, LLC, an unrelated party, for a sale price of $2,400,000. The transaction closed on April 28, 2017 and closing costs amounted to $72,350. During 2017, Habitat recognized a gain on sale of the property of $969,951, which has been disclosed in the accompanying combined statements of activities.

Purchase of 3830 South Grand Boulevard
On July 21, 2017, management entered into a purchase agreement with Schnuck Markets Inc., an unrelated party, to purchase land, together with all other improvements and fixtures, located at 3830 South Grand Boulevard, St. Louis, MO for total consideration of $1,227,273. The transaction closed on November 30, 2017.

The following table summarized the consideration for the acquiring and the amounts of assets acquired:

Purchase consideration		
Cash	$	500,000
Contribution - AHAP check exchange		727,273
Total consideration paid	$	1,227,273
Assets acquired		
Land	$	1,141,364
Building		85,909
Total assets acquired	$	1,227,273

Construction in progress

In 2017, management decided to pursue a rehabilitation project for its facility at 3830 South Grand Boulevard, St. Louis, MO. Costs incurred in connection with this project are being capitalized as incurred. During the year ended December 31, 2017, construction in progress amounted to $136,200. During 2018, the project was completed and the amounts were placed into building and improvements on the accompanying statements of financial position.

Note 13 - Construction contract

In 2017, Habitat entered into a construction contract with S.M. Wilson, an unrelated party, to rehabilitate its office at 3830 South Grand Boulevard, St. Louis, MO. The construction contract is in the original amount of $1,981,872. During the year ended December 31, 2017, construction costs in the amount of $136,200 were incurred and no amounts were paid. During 2018, the remaining construction costs were paid to S.M. Wilson.

Note 14 - Capitalized costs

The guarantee fees associated with the NMTC transactions have been capitalized and amortized over the seven-year guarantee period. As of December 31, 2018 and 2017, guarantee fees amounted to $175,383 and $350,383, respectively, and accumulated amortization amounted to $64,080 and $199,911, respectively. During the years ending December 31, 2018 and 2017, amortization expense totaled $180,531 and $31,325, respectively.

Estimated amortization expense for the ensuing years is as follows:

Year	Amount
2019	$ 18,730
2020	18,730
2021	18,730
2022	18,730
2023	18,730
Thereafter	17,653
	$ 111,303

Note 15 - Lines of credit

Lines of credit at December 31, 2018 and 2017 consists of the following:

Lender	Face amount	Outstanding	Interest rate + prime rate	Maturity date	Function	Status, report date
People's National Bank, N.A.	$ 230,772	$ 153,729	6.50%	9/30/2019	Construction	Paid in full
People's National Bank, N.A.	216,750	71,773	6.50%	9/24/2019	Construction	To be repaid
People's National Bank, N.A.	73,612	90,000	6.50%	9/30/2019	Construction	Paid in full
People's National Bank, N.A.	229,500	229,500	6.50%	10/3/2019	Construction	To be repaid
People's National Bank, N.A.	235,500	213,359	6.50%	10/17/2019	Construction	To be repaid
People's National Bank, N.A.	90,000	89,625	6.50%	9/30/2019	Construction	To be repaid
People's National Bank, N.A.	153,000	75,451	6.50%	11/20/2019	Construction	Paid in full
People's National Bank, N.A.	25,000	25,000	6.50%	12/21/2019	Construction	To be renewed
Royal Banks of Missouri	800,000	800,000	6.50%	11/4/2019	Permanent	To be renewed
Total lines of credit, 12/31/18		$ 1,748,437				

Lender	Face amount	Outstanding	Interest rate + prime rate	Maturity date	Function
People's National Bank, N.A.	$ 230,772	$ 230,593	5.50%	7/5/2018	Construction
People's National Bank, N.A.	76,500	76,403	5.50%	6/24/2018	Construction
People's National Bank, N.A.	40,320	5,839	5.50%	2/9/2019	Construction
People's National Bank, N.A.	216,750	216,675	5.50%	9/26/2018	Construction
People's National Bank, N.A.	74,132	70,404	5.50%	10/24/2018	Construction
People's National Bank, N.A.	73,612	47,544	5.50%	10/24/2018	Construction
People's National Bank, N.A.	229,500	229,500	5.50%	5/3/2018	Construction
First Clover Leaf Bank, N.A.	76,500	76,112	6.00%	7/15/2017	Construction
Royal Banks of Missouri	800,000	800,000	5.50%	11/4/2018	Permanent
Total lines of credit, 12/31/17		$ 1,753,070			

Note 16 - Long-term debt

Long-term debt at December 31, 2018 and 2017 consists of the following:

	2018	2017
CBKC Subsidiary CDE X, LLC The loan in the amount of $5,880,000, dated June 17, 2011, is held by CBKC Subsidiary CDE X, LLC. The loan bears interest at 0.808942%. Interest-only payments are due semi-annually until December 5, 2018. Commencing on December 5, 2018, semi-annual principal and interest payments in the amount of $380,277 are due until maturity. The loan matures on June 16, 2026. The loan is secured by the operating account held by U.S. Bank National Association, the guaranty account held by the lender and the 2011 NMTC project. The loan is also guaranteed by a related party if an event of NMTC recapture occurs. The loan has a put option feature that was exercised in July 2018 (Note 11), and a portion of the debt was forgiven.	$ -	$ 5,880,000

	2018	2017
CCM Community Development XVII LLC The loan in the amount of $1,880,000, dated April 12, 2012, is held by CCM Community Development XVII LLC. The loan bears interest at 0.7707%. Interest-only payments are due semi-annually until May 5, 2020. Commencing on May 5, 2020, semi-annual principal and interest payments in the amount of $114,467 are due until maturity. The loan matures on April 11, 2028. The loan is secured by the operating account held by U.S. Bancorp, the guaranty account held by the lender and the 2012 NMTC Project. The loan is also guaranteed by a related party if an event of NMTC recapture occurs. The loan has a put option feature that is exercisable in December 2019 (Note 11).	1,880,000	1,880,000
Harbor Community Fund XIII LLC The loan in the amount of $1,715,000, dated December 20, 2017, is held by Harbor Community Fund XIII LLC. The loan bears interest at fixed rate of 0.7041%. The loan matures on December 20, 2037. The loan is secured by the operating account, Joint expense Non-POB account and all other bank accounts held by U.S. Bank. The loan is also guaranteed by a related party if an event of NMTC recapture occurs. The loan has a put option feature that is exercisable in December 2024 (Note 11).	1,715,000	1,715,000
Lookaway Summit On December 29, 2014, Habitat purchased 18 parcels of real property from an individual in the amount of $243,000. The loan is noninterest-bearing and payments are due upon the closing of homes subsequently built and sold on each parcel of land. The loan matures on December 31, 2016, which was extended to December 31, 2017. It was again extended to December 31, 2018 at which time any remaining balance is due. Subsequent to December 31, 2018, the loan was paid in full. Commencing in January 1, 2017, the loan bears interest at 6.5%.	13,500	27,000

	2018	2017
Series 2017 Revenue Bonds		
On December 1, 2017, The Industrial Development Authority of the City of St. Louis, MO, issued Series 2017 revenue bonds in the amount of $2,040,000 to finance the rehabilitation of 3830 South Grand Boulevard, St. Louis, MO. Royal Bank of Missouri is the fiscal agent. The bonds carry interest at the rate of 3.3%. Principal and interest payments in the amount of $8,920 are due monthly begining on January 1, 2020. The loan matures on December 20, 2049.	2,040,000	2,040,000
Construction Loan		
The loan in the amount of $235,474, dated December 18, 2017, is held by the Royal Bank of Missouri. The loan bears interest at 5%. Principal and interest payments in the amount of $2,525 are due monthly beginning January 18, 2019. On March 13, 2018, the original loan amount was increased from $235,474 to $380,229. The loan matures on December 18, 2022.	378,225	230,229
Total	6,026,725	11,772,229
Less: current maturities	(24,781)	(383,454)
Net long-term debt	$ 6,001,944	$ 11,388,775

Aggregate annual maturities of the mortgages and notes payable for each of the following years and thereafter is as follows:

Year	Amount
2019	$ 24,781
2020	266,972
2021	270,651
2022	603,891
2023	264,372
Thereafter	4,596,058
	$ 6,026,725

Note 17 - Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Construction projects	$ 48,000	$ 48,000
Investments	-	4,839
Other	14,465	21,325
	$ 62,465	$ 74,164

Net assets of $567,814 and $251,992 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended December 31, 2018 and 2017, respectively.

These assets have been set aside for the following board designated net assets:

	2018	2017
Operating reserve fund	$ -	$ 2,214
Capacity reserve fund	-	2,625
	$ -	$ 4,839

Note 18 - Related party transactions

Habitat has a nonbinding covenant with Habitat for Humanity International, Inc. ("HFHI") to make an annual voluntary tithe payment to HFHI. In prior years, Habitat made tithe payments in the amount of $1,000 for each house sold. An additional tithe payment is required for each house sponsored by a specific donor.

In 2013, HFHI implemented its Stewardship and Organizational Sustainability Initiative ("SOSI"), which requires payment from affiliates of annual fees based upon the size of the individual affiliate. The annual fee required of Habitat is $25,000, and is in addition to any voluntary tithe.

In 2018 and 2017, Habitat paid $25,000 and $25,000, respectively, for the previous year's SOSI commitment. In 2018 and 2017, Habitat paid tithe payment in the amount of $1,000 and $1,000, respectively, for 2018 and 2017 commitments.

Note 19 - Operating lease

On March 27, 2013, Habitat entered into a lease agreement to open a second ReStore location. The lease commenced on June 1, 2013 and terminated on May 31, 2018, with two 5-year options to renew. During 2018, Habitat exercised the renewal option through May 31, 2023. The lease provides for annual base rent, a portion of which is donated back to Habitat each year on June 1, and monthly base rent payable by Habitat.

On November 14, 2016, Habitat entered into an amended lease agreement effective January 1, 2015. The new lease agreement states the Landlord shall compensate Habitat for the work performed, amount of any rent collected, and the amount of any invoice for service paid on behalf of the Landlord. During 2018 and 2017, Habitat received $175,473 and $118,456, respectively, of reimbursement expenses. In addition, the Landlord shall compensate Habitat with a management fee in the amount equal to 15% of the reimbursement expenses. During 2018 and 2017, Habitat received a management fee of $72,316 and $28,315, respectively. The reimbursement and the management fee are included in other income on the accompanying combined statements of activities.

On November 25, 2016, coincided with the sale of its administrative office property, Habitat entered into a lease agreement to lease back the property from the new owner. The lease commenced on April 28, 2017 and terminated on April 28, 2018.

The future minimum rental commitments under all such operating leases for the next five years and thereafter are as follows:

Year	Total annual base rent
2019	$ 333,214
2020	345,294
2021	357,374
2022	369,454
2023	156,037
Total	$ 1,561,372

Note 20 - Lease agreements

The Organization leases some of its properties from time-to-time. Although the Organization is a for-sale housing program, certain situations may arise where a property may be temporarily leased before it is sold. Most situations involve a lease-to-own or option-to-purchase agreement, but others may be only a rental situation for a fixed or renewable term.

During 2018, Habitat was receiving lease payments on one home, which was sold during 2018. During 2017, Habitat was receiving lease payments on two homes, of which none were sold during 2017.

Note 21 - Mortgages sold with recourse

Prior to 2002, Habitat sold mortgages receivable with recourse to the Missouri Housing Development Commission. Habitat has guaranteed payment of the mortgage loans and in the event of any loan default, Habitat will replace the non-performing loan with a performing loan or will buy back the non-performing loan at par. As of December 31, 2018 and 2017, the uncollected balances remaining on the mortgages totaled $8,579 and $11,675, respectively.

Note 22 - Commitments and contingencies

The purchase option agreement when a home is sold contains a provision that if the home is sold within 10 years of the initial date of the lease agreement, the Organization has the right to receive a certain percentage of the gain on the sale of the home. The percentage ranges from 100% if sold during the first year to 10% if sold in the 10th year.

The Organization provides a limited warranty to homeowners for all work done and materials provided in the construction of the home. This warranty is for one year from the date the buyer took occupancy, including the buyer's lease term. During this time, upon written notice from the purchaser, the Organization will repair or replace substantial defects free of charge. However, the Organization has the right to use the funds in the major repair fund (a portion of each mortgage payment is allocated to this escrow account). Based on past experience, management has determined no reserve is needed for warranties.

Note 23 - Employee benefit plan

Habitat implemented a SIMPLE-IRA plan in 1998. An employee is eligible for the plan if $2,400 of wages have been earned in any prior year. The plan provides for a deferral of compensation and an employer matching contribution, subject to certain limitations. During the years ended December 31, 2018 and 2017, Habitat's contribution to the plan amounted to $38,021 and $36,287, respectively.

Note 24 - Subsequent events

Events that occur after the combined balance sheet date but before the combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the combined balance sheet date are recognized in the accompanying combined financial statements. Subsequent events which reflect significant matters but which provide evidence about conditions that existed after the combined balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through August 14, 2019 (the date the combined financial statements were available to be issued) and concluded that no additional subsequent events have occurred that would require recognition in the combined financial statements or disclosure in the notes to the combined financial statements.

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