Habitat for Humanity for San Luis Obispo County

Financial Statements

Year Ended June 30, 2017

Habitat for Humanity
for San Luis Obispo County
Financial Statements
Year Ended June 30, 2017

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GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Habitat for Humanity for San Luis Obispo County

We have audited the accompanying financial statements of Habitat for Humanity for San Luis Obispo County (a nonprofit organization), 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.

Auditors' 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 auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity for San Luis Obispo County 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.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

October 5, 2017

Habitat for Humanity

for San Luis Obispo County

Statement of Financial Position

June 30, 2017

Assets		
Current assets:		
Cash and cash equivalents	$	118,230
Restricted cash and cash equivalents		73,567
Accounts receivable		79
Inventories - land and construction costs, net of allowance		556,398
Prepaid expenses		18,844
Current portion of notes receivable, net of discount		5,215
Current portion of mortgage notes receivable, net of discounts		31,856
Total current assets		804,189
Property and equipment, net of accumulated depreciation and amortization		6,199
Other assets:		
Notes receivable, net of discount and current portion		117,870
Mortgage notes receivable, net of discounts and current portion		441,913
Total other assets		559,783
Total assets	$	1,370,171
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$	1,993
Payroll liabilities		12,440
Accrued liabilities		1,770
Impound deposits		28,199
Current portion of notes payable		21,648
Total current liabilities		66,050
Long-term liabilities:		
Notes payable, net of current portion		86,391
Total long term liabilities		86,391
Total liabilities		152,441
Net assets:		
Unrestricted		675,429
Temporarily restricted		542,301
Total net assets		1,217,730
Total liabilities and net assets	$	1,370,171

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

Habitat for Humanity
for San Luis Obispo County
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and other revenue:			
Contributions	$ 155,164	$	$ 155,164
Grants	38,000	40,000	78,000
In-kind contributions	30,294		30,294
Sales - ReStore	522,062		522,062
Fundraising, net of direct benefit to donors $16,344	40,378		40,378
Interest	3,074		3,074
Mortgage discount amortization	32,223		32,223
Miscellaneous income	19,197		19,197
Total support and other revenue	840,392	40,000	880,392
Net assets released from restrictions	39,354	(39,354)	-
Expenses:			
Program services	207,134		207,134
ReStore operations	345,881		345,881
Management and general	247,377		247,377
Fundraising	68,996		68,996
Total expenses	869,388		869,388
Change in net assets	10,358	646	11,004
Net assets - beginning of year	665,071	541,655	1,206,726
Net assets - end of year	$ 675,429	$ 542,301	$ 1,217,730

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

Habitat for Humanity

for San Luis Obispo County

Statement of Functional Expenses

Year Ended June 30, 2017

			Support Services		
	Program Services	ReStore Operations	Management and General	Fundraising	Total
Salaries, wages and related expenses	$ 39,050	$ 185,789	$ 94,936	$ 45,863	$ 365,638
Rent		119,995	59,849		179,844
Construction costs for rehabilitation	56,314				56,314
Professional services			29,441	3,527	32,968
Materials-in-kind	30,294				30,294
Office and other supplies	3,861	4,944	9,345	10,535	28,685
Development and home preservation	15,034				15,034
Mortgage discounts	21,672				21,672
Insurance	1,612	7,475	8,793	1,905	19,785
Tithe & fee, Habitat for Humanity International	16,500				16,500
Repairs and maintenance		689	11,879		12,568
Utilities		8,708	3,418		12,126
Credit card fees		9,916		1,180	11,096
Telephone and internet		3,833	5,788		9,621
Vehicles and mileage	3,798	1,261	2,508	616	8,183
Interest	7,127		490		7,617
Other expenses	5,214		1,036		6,250
Printing and publications	2,562	247	(15)	3,196	5,990
Depreciation and amortization			5,478		5,478
Licenses and fees	994		4,264		5,258
Dues and subscriptions			2,847	140	2,987
Travel and conferences	359		2,728	199	3,286
Postage and delivery	1,110		409	1,313	2,832
Board of directors and committees			2,061		2,061
Equipment and venue rental	212	1,825			2,037
Security		1,190	540		1,730
Family and volunteer support			1,107		1,107
Advertising	515	9	475		999
Education and training	836				836
Promotions and events				522	522
Property taxes	51				51
Neighborhood revitalization	19				19
	$ 207,134	$ 345,881	$ 247,377	$ 68,996	$ 869,388

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

Habitat for Humanity

for San Luis Obispo County

Statement of Cash Flows

Year Ended June 30, 2017

Cash flows from operating activities:		
Change in net assets		$ 11,004
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	$ 5,478	
Issuance of notes receivable for home rehab projects	(45,000)	
Discount on issuance of note receivable	21,672	
Amortization of discount on notes receivable	(32,223)	
Changes in operating assets and liabilities:		
Accounts receivable	(79)	
Inventories - land and construction costs	7,875	
Prepaid expenses	1,470	
Accounts payable	(1,971)	
Payroll liabilities	(1,806)	
Accrued liabilities	(1,592)	
Impound Deposits	4,377	
Relocation assistance payable	(2,391)	
Net cash used in operating activities		(33,186)
Cash flows from investing activities:		
Payments received on notes receivable	5,605	
Payments received on mortgage notes receivable	71,318	
Net cash provided by investing activities		76,923
Cash flows from financing activities:		
Repayments on line of credit	(6,500)	
Repayments on note payable	(19,990)	
Net cash used in financing activities		(26,490)
Net increase in cash and cash equivalents		17,247
Cash and cash equivalents - beginning of year		174,550
Cash and cash equivalents - end of year		$ 191,797
Summary of cash and cash equivalents - end of year:		
Cash and cash equivalents		$ 118,230
Restricted cash and cash equivalents		73,567
Total cash and cash equivalents - end of year		$ 191,797
Supplemental disclosures of cash flow information:		
Interest paid during the period		$ 7,617

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

Habitat for Humanity
for San Luis Obispo County
Notes to Financial Statements
June 30, 2017

Note 1: Nature of Business

Habitat for Humanity for San Luis Obispo County (the Organization), a California non-profit public benefit corporation and a 501(c)(3) exempt organization under the Internal Revenue Service code, was established and incorporated on February 1, 1997. The Organization serves low income families and residents in San Luis Obispo County by responding to community aspirations and needs with an expanding array of programs, services and partnerships that empowers them to revive their neighborhoods and provides them with new homes that enhance their quality of life.

The Organization operates by:

- Using donations of money, land, building materials, and almost all volunteer labor, including 500 hours of labor from home buyers
- Receiving mortgage payments from past Organization home buyers
- Obtaining government public and private grants and assistance (such as building fee waivers)

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which recognizes all revenue as income when earned and operating expenses as deductions from income when incurred. The Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted and permanently restricted. There were no permanently restricted net assets as of June 30, 2017.

The Organization operates the Habitat for Humanity ReStore (ReStore), a retail operation, where new and used home furnishings, fixtures, appliances, and other miscellaneous items are donated and then sold to the community at a greatly reduced price. Revenue net of sales tax is recognized by the Organization at the time the goods are sold and no value for the ReStore inventories is included in these financial statements as the value of those inventories cannot be established until the items are either sold or disposed of.

Contribution and Grant Revenue

All contribution and grant revenues are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily or permanently restricted. The restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Organization. Donor-restricted contributions and grants whose restrictions are met in the same year are reported as unrestricted support. All gifts granted to the Organization are recorded at fair market value at the time of receipt.

Note 2: Summary of Significant Accounting Policies (Continued)

The Organization uses the allowance method to determine uncollectible accounts and grants receivable. The allowance is based on prior years' experience and management's analysis of specific account. The Organization has not recorded an allowance for doubtful accounts since management believes that accounts and grants receivable are collectible. Any bad debts in the future would be charged off as incurred.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments including demand deposits, money market accounts and certificates of deposit to be cash and cash equivalents. At June 30, 2017, there was $73,567 included in restricted cash and cash equivalents, which is restricted for impound and mortgage assistance deposits and Home Preservation projects and is maintained in separate accounts.

Accounts Receivable

Accounts receivable consisted of receivables related to the Organization's fundraising activities. At June 30, 2017, there was $79 included in accounts receivable that will be included in restricted cash for impound deposits once received.

Inventories, Land and Construction Costs

Land and construction costs of home building projects are accumulated in inventories until the homes are sold. At that time, the accumulated costs are removed from inventories and recorded as program service expenses. The Organization often receives grant revenues to fund land purchases and construction costs which may be recorded as revenues in prior years from the sale of homes.

Inventories are stated at lower of cost or market. The Organization reviews inventory values on an annual basis and records an allowance as necessary based upon the estimates selling prices of the homes.

Pledged Mortgage Notes Receivable

The Organization has pledged six mortgage notes receivable as collateral in order to obtain a note payable from Habitat for Humanity International to further the mission of providing affordable owner-occupied housing. See Notes 5 and 8.

Note 2: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Leasehold improvements, purchased equipment and furniture are recorded at cost. Donated furniture, equipment and vehicles are recorded at estimated fair value at the date of receipt and the Organization has adopted a policy of not implying a time restriction on donated assets, which are recorded as increased in unrestricted net assets. It is the policy of the Organization to capitalize assets having a useful life of at least three years and a unit cost of more than $1,000. Depreciation of equipment, furniture and vehicles and amortization of leasehold improvements is provided using the straight-line method over the estimated useful lives.

Equipment and furniture	5 years
Vehicles	5 years
Leasehold improvements	5 years

Estimates

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The Organization records its financial assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) (the Topic). This Topic provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The Topic also establishes a three-tier hierarchy, as follows, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

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

Note 2: Summary of Significant Accounting Policies (Continued)

Level 2: Inputs to the valuation methodology include:

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value:

Notes receivable: The Organization has one note receivable with an interest rate of 3% and one with an interest rate of 0%. The difference between stated interest rates and market rates for similar types of notes is not significant and carrying value approximates fair value using a market approach. The notes receivable are classified within Level 2 of the valuation hierarchy.

Mortgage notes receivable: The Organization has zero-interest mortgage notes receivable which are discounted based upon the market value for similar types of loans, deemed to be fair value, and classified within Level 2 of the valuation hierarchy.

This hierarchy requires the Organization to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

At June 30, 2017, the following sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	Level 1	Level 2	Level 3	Total
Notes receivable, net of discount	$	$ 123,085	$	$ 123,085
Mortgage notes receivable, net of discount		473,769		473,769
Total assets at fair value	$ -	$ 596,854	$ -	$ 596,854

Note 2: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is recognized by the Internal Revenue Service as a qualified section 501(c)(3) non-profit organization, and as such, is not liable for Federal income and State franchise tax. However, the Organization remains subject to taxes on any net income that is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose with certain exclusions. No income taxes have been recorded in the accompanying financial statements since management believes the Organization has no taxable unrelated business income.

Income Taxes Topic of FASB ASC requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of June 30, 2017, management has considered its tax positions and believes that the Organization did not maintain any tax positions that did not meet the "more likely than not" threshold. The Organization does not expect any material changes through June 30, 2018. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after June 30, 2014, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2013.

Donated Goods and Services

The Organization receives donations of time and services from members of the community and volunteers. The value of these donations is not reflected in the accompanying financial statements since no objective basis is available to measure the value of these services. In-kind donations of fixed assets, professional services and supplies used directly by the organization are valued at their appraised values at the time of the gift. The value of donated goods and services included in the financial statements was $30,294 as of June 30, 2017.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the year ended June 30, 2017 totaled $999.

Concentrations

Credit Risk:
The Organization’s bank accounts from time to time exceed the Federal Deposit Insurance Corporation (FDIC) limit, which covers up to $250,000 of the Organization’s combined accounts. As of June 30, 2017, the company had no cash in excess of the FDIC insurance limits.

Note 3: Inventories – Land and Construction Costs

Included in inventories is purchased and donated land for additional home sites as well as initial development costs for two projects.

At June 30, 2017, inventories for land and construction costs of homes for sale is recorded at cost and consists of the following:

Land	$	500,897
Construction costs		69,449
		570,346
Less valuation allowance		(13,948)
Total	$	556,398

Note 4: Notes Receivable

At June 30, 2017, notes receivable consisted of the following:

Note for Home Preservation project completed in January 2015. Note is payable over 5 years, bears 0% interest, monthly payment of $39 through December 2019.	$	1,229
Note was part of a bequest received in September 2010 and valued at $123,332. Note is payable over 360 months, bears interest at 3%, monthly payments of $590 through April 2035.		98,786
Note for Home Rehabilitation project completed in November 2016, net of unamortized discount of $20,805. Note is payable over 20 years, bears 0% interest, monthly payment of $188 through December 2037.		23,070
		123,085
Less current portion		(5,215)
Note receivable, net of current portion and unamortized discount	$	117,870

Note 4: Notes Receivable (Continued)

At June 30, 2017, future scheduled annual receipts for these notes receivable were as follows:

For the Year Ending June 30,		
2018	$	6,920
2019		7,316
2020		6,723
2021		6,859
2022		6,999
Thereafter		109,073
		143,890
Less amounts representing discount		(20,805)
Present value of notes receivable		123,085
Less current portion of notes receivable		(5,215)
Notes receivable, net of discount and current portion	$	117,870

Note 5: Mortgage Notes Receivable

The Organization constructs and sells homes to individuals under non-interest bearing mortgages. The individuals are required to make mortgage payments for periods ranging from 20 to 30 years at which time title to the property passes to the individual. All of the Organization's mortgage notes receivable were used to finance the purchase of homes in San Luis Obispo County. The ability of the borrowers to repay the mortgages is dependent upon the economic strength of the area.

The Organization records and accounts for mortgage notes receivable based on the present value of the loan at the time of closing. For purposes of calculating loan present values, interest rates are determined based on the market rates for a similar type of loan on the date of closing and range from 7.50% to 8.34% for all loans outstanding. This method of accounting properly reflects the value of the mortgage notes receivable in the financial statements and recognizes interest income over the life of the loans. An expense is recorded upon the sale of the houses for the difference between the face value of the mortgage notes receivable and the present value of the loans. The Organization has not established an allowance for doubtful accounts as it can reclaim homes through foreclosure in the event that a note is deemed to be uncollectible.

The Organization has pledged six of their mortgage notes receivable as collateral in order to obtain a note payable from Habitat for Humanity International to further the mission of providing affordable owner-occupied housing. At June 30, 2017, the balance of these pledged mortgage notes receivable, net of discount was $169,974.

Note 5: Mortgage Notes Receivable (Continued)

At June 30, 2017, mortgage notes receivable consisted of the following:

Notes issued for $279,261 on the sale of three homes constructed in Paso Robles, CA, secured by deeds of trust, non-interest bearing, monthly payments of $273-$352 over a 300 month period, net of unamortized discount of $62,090, maturing December 2025 - May 2027.	$	33,459
Note issued for $124,000 on the sale of a home constructed in Cambria, CA, secured by a deed of trust, non-interest bearing, monthly payments of $342 over a 300 month period, net of unamortized discount of $49,794, maturing March 2036. This note is pledged as collateral for a note payable.		26,675
Notes issued for $348,700 on the sale of four homes constructed in Atascadero, CA, secured by deeds of trust, non-interest bearing, monthly payments of $305-$375 over a 240-264 month period net of unamortized discount of $104,896, maturing September 2028 - September 2030. Two of these notes are pledged as collateral for a note payable.		94,432
Notes issued for $410,040 on the sale of four homes constructed in Grover Beach, CA, secured by deeds of trust, non-interest bearing, monthly payments of $285-$427 over a 240-360 month period, net of unamortized discount of $145,693, maturing September 2029 - July 2039. Three of these notes are pledged as collateral for a note payable.		123,310
Notes issued for $229,200 on the sale of two homes constructed in San Luis Obispo, CA, secured by a deeds of trust, non-interest bearing, monthly payments of $319 over a 360 month period, net of unamortized discount of $111,786, maturing in October 2041.		71,560
Notes issued for $359,025 on the sale of three homes constructed in San Luis Obispo, CA, secured by a deeds of trust, non-interest bearing, monthly payments of $332 over a 360 month period, net of unamortized discount of $190,974, maturing in October 2043.		124,333
		473,769
Less current portion		(31,856)
Mortgage notes receivable, net of discounts and current portion	$	441,913

Note 5: Mortgage Notes Receivable (Continued)

At June 30, 2017, scheduled annual receipts for these mortgage notes receivable were as follows:

For the Year Ending June 30,		
2018	$	70,856
2019		70,856
2020		70,856
2021		70,856
2022		70,856
Thereafter		784,722
		1,139,002
Less amounts representing discount		(665,233)
Present value of mortgage notes receivable		473,769
Less current portion of mortgage notes receivable		(31,856)
Mortgage notes receivable, net of discount and current portion	$	441,913

Note 6: Property and Equipment

At June 30, 2017, property and equipment consisted of the following:

Vehicles	$	5,500
Equipment and furniture		47,815
		53,315
Less accumulated depreciation and amortization		(47,116)
Property and equipment, net of accumulated depreciation and amortization	$	6,199

Note 7: Line of Credit

On April 21, 2011, the Organization entered into a $100,000 revolving line of credit, secured by inventory, chattel paper, accounts, equipment and general intangibles, with Bank of the Sierra (formerly Coast National Bank). The line of credit has been extended to November 3, 2017. The line of credit bears interest at a variable rate, which was 6.5% at June 30, 2017. There was no outstanding balance on the line of credit at June 30, 2017. This line of credit agreement was cancelled in August 2017. See Note 12.

Note 8: Notes Payable

At June 30, 2017, notes payable consisted of the following:

Note payable to Habitat for Humanity International for $207,000 to further the mission of providing affordable owner-occupied housing. Interest is accrued at 5.5%. Principal and interest are payable monthly for 10 years. Note is secured by six mortgage notes receivable.	$	108,039
Less current portion		(21,648)
Notes payable, net of current portion	$	86,391

At June 30, 2017, future minimum principal payments were as follows:

For the Year Ending June 30,		
2018	$	21,648
2019		22,863
2020		24,146
2021		25,502
2022		13,880
Total	$	108,039

Note 9: Operating Leases

The Organization leases 4,171 square feet of warehouse and commercial space under a sixty-two month long-term operating lease agreement effective July 1, 2009, with options to extend the lease for multiple thirty-six month periods. In December 2016 the Organization exercised the second thirty-six month extension option to extend the lease through August 2020. Monthly rent beginning July 1, 2017 was $6,999. The lease calls for adjustments based on the change in the consumer price index after each twelve-month period.

The Organization leases 5,724 square feet of retail space under a sixty month long-term operating lease agreement, effective June 1, 2010, with the option to extend for an additional sixty month period. On April 29, 2015 the organization exercised the option to extend the lease for an additional sixty month period through June 30, 2020. Monthly rent beginning July 1, 2017 was $6,296.

Note 9: Operating Leases (Continued)

The Organization leases 1,600 square feet of office space under a thirty-six month long-term operating lease agreement effective June 1, 2012, with the option to extend for an additional thirty-six month period. On July 1, 2015 the organization exercised the option to extend the lease for an additional thirty-six month period through May 31, 2018. Monthly rent beginning July 1, 2017 was $1,500.

At June 30, 2017, future minimum lease payments under these leases were as follows:

For the Year Ending June 30,		
2018	$	176,045
2019		160,368
2020		161,369
2021		14,330
Total	$	512,112

For the year ended June 30, 2017, total rent expense was $179,844.

Note 10: Commitments and Contingencies

CalHome Mortgage Assistance

On April 8, 2011, the Organization was awarded a $300,000 CalHome Mortgage Assistance grant for 5 homes located in San Luis Obispo, California. These funds are to be used for mortgage down payment assistance, loan servicing and homeowner education. Mortgage down payment assistance grants to homebuyers are secured by promissory notes at 0% interest and deeds of trust and are payable in full after 30 years. All grant proceeds and repayment funds must be kept in a separate Reuse Account and reused for the activities listed above. The Organization has signed a monitoring agreement in effect for 20 years from the date of award. At June 30, 2017, all of these funds had been received and recorded as revenue. At June 30, 2017, $45,880 had been repaid and was included in restricted cash.

Affordable Housing Agreement-Arroyo Grande

The Organization purchased a property in Arroyo Grande with a loan supplied from the City of Arroyo Grande (City) through its Redevelopment Agency (RDA). On February 1, 2012, the RDA was dissolved and the City became the successor agency (Agency). The Organization and the Agency have entered into an Affordable Housing Agreement (Agreement) dated May 14, 2013. Per the terms of the Agreement, the Organization must commence construction no later than 5 years after execution of the Agreement, the project must be in build-ready condition no later than 5 years after the commencement date, and homes must be sold no later than 5 years after the project is in build-ready

Note 10: Commitments and Contingencies (Continued)

condition. The project will consist of 8 single family homes and upon the sale and transfer of each home to a qualified homebuyer a portion of the loan equal to the pro-rated amount shall be forgiven. Upon execution of the Agreement and a Modification of Promissory Note, the short-term note payable was repaid by the temporarily restricted grant revenue as specified in the agreements. The Organization intends to comply with the requirements of this Agreement and will record this amount in temporarily restricted net assets until the homes are sold and the loan is forgiven.

CalHome Grant – City of El Paso de Robles
In 2011, the Organization received a $225,000 CalHome grant from the City of El Paso de Robles (City), which it used to buy property which they intend to develop into low income housing. The loan agreement only requires repayment of the note if the property is not used to build low income housing. According to the agreement, as homes are built and subsequently sold to low income homeowners, the new homeowners would assume the note balance. Because the Organization intends to build low income housing the loan proceeds were considered to be a grant when received and a liability is not recorded on the Organization's financial statements.

Litigation
From time to time, in the normal course of operations, the Organization may become involved in litigation for which the Organization has insurance coverage. Management does not believe this will result in a material impact to the financial statements.

Note 11: Related Party Transactions

For the year ended June 30, 2017, the Organization paid $16,500 in fees and tithing to a related party, Habitat for Humanity International.

Note 12: Subsequent Events

Events subsequent to June 30, 2017 have been evaluated through October 5, 2017, which is the date the financial statements were available to be issued.

In August 2017, the Organization cancelled their line of credit with Bank of the Sierra.

On September 25, 2017, the Organization entered into a $100,000 line of credit agreement with Pacific Premier Bank. The line bears interest at a variable rate of 1% above the Wall Street Journal rate (5.25% at September 25, 2017), subject to a minimum rate of 5.25% and matures on October 4, 2018.