

HABITAT FOR HUMANITY
NORTHWEST HARRIS COUNTY

FINANCIAL STATEMENTS

June 30, 2017 and 2016

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
June 30, 2017 and 2016



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Independent Auditors' Report

Board of Directors

Habitat for Humanity Northwest Harris County

We have audited the accompanying financial statements of Habitat for Humanity Northwest Harris County (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Northwest Harris County as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kolthout & Kolthout

Houston, Texas
October 18, 2017

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2017	2016
ASSETS		
Cash	\$ 1,505,813	\$ 1,418,854
Mortgage receivable, net	3,253,132	3,053,690
Prepaid expenses	113,687	97,327
Inventory	126,905	73,321
Construction in progress	256,303	337,896
Land held for future construction	1,349,029	382,916
Furniture, equipment, and leasehold improvements, net	343,003	334,288
	6,947,872	5,698,292
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 77,618	\$ 45,211
Accrued liabilities	48,598	54,933
Escrow funds	256,673	206,763
Note payable	777,343	82,777
	1,160,232	389,684
NET ASSETS		
Unrestricted net assets	5,787,640	5,308,608
	\$ 6,947,872	\$ 5,698,292

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
STATEMENT OF ACTIVITIES
For the years ended

	June 30,	
	2017	2016
	<u>Total Unrestricted</u>	<u>Total Unrestricted</u>
Public support and revenues		
Contributions from donors and foundations	\$ 414,724	\$ 598,270
Special events	128,346	165,228
Sale of homes, net of discount of \$703,792	466,150	260,800
Amortization of mortgage discounts	341,537	350,571
Merchandise sales	2,956,914	2,631,118
Deconstruction revenue	1,332,172	799,500
Miscellaneous	23,864	21,457
	<u>5,663,707</u>	<u>4,826,944</u>
Expenses		
Program services	4,798,952	4,209,273
Management and general	137,178	158,900
Fundraising	248,545	151,631
	<u>5,184,675</u>	<u>4,519,804</u>
Change in net assets	479,032	307,140
Net assets, beginning of year	<u>5,308,608</u>	<u>5,001,468</u>
Net assets, end of year	<u>\$ 5,787,640</u>	<u>\$ 5,308,608</u>

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017

	<u>Construction</u>	<u>Restore</u>	<u>Family Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Compensation	\$ 257,756	\$ 800,571	\$ 61,067	\$ 1,119,394	\$ 36,287	\$ 131,390	\$ 1,287,071
Construction costs	929,597	-	-	929,597	-	-	929,597
Cost of sales	-	118,757	-	118,757	-	-	118,757
Demolition costs	-	1,306,604	-	1,306,604	-	-	1,306,604
Depreciation expenses	12,221	85,157	-	97,378	-	-	97,378
Equipment rental	658	3,166	-	3,824	-	-	3,824
Insurance	35,697	39,434	-	75,131	4,038	2,407	81,576
Interest	14,771	-	-	14,771	-	-	14,771
Office expense	4,049	12,269	-	16,318	9,863	3,260	29,441
Postage	47	-	24	71	1,128	2,992	4,191
Printing and newsletters	-	792	39	831	405	15,278	16,514
Professional fees & contract labor	4,740	271,195	-	275,935	38,303	-	314,238
Project recycling	-	11,661	-	11,661	-	-	11,661
Public relations	-	-	-	-	-	68,182	68,182
Rent	19,186	498,830	13,704	531,720	2,740	13,704	548,164
Repairs and maintenance	36,407	13,628	-	50,035	-	-	50,035
Small tools	3,370	1,917	-	5,287	-	-	5,287
Supplies	14,020	43,096	-	57,116	-	-	57,116
Property taxes	7,686	-	-	7,686	-	-	7,686
Contribution to HFHI	-	33,300	-	33,300	-	-	33,300
Training and education	484	-	680	1,164	2,625	1,186	4,975
Travel	11,443	39,963	26	51,432	6,783	3,569	61,784
Utilities	3,378	54,585	-	57,963	252	889	59,104
Gain on sale of home	(17,551)	-	-	(17,551)	-	-	(17,551)
Other	26,869	17,888	5,771	50,528	34,754	5,688	90,970
Total Expenses	\$ 1,364,828	\$ 3,352,813	\$ 81,311	\$ 4,798,952	\$ 137,178	\$ 248,545	\$ 5,184,675

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016

	<u>Construction</u>	<u>Restore</u>	<u>Family Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Compensation	\$ 392,400	\$ 621,945	\$ 52,995	\$ 1,067,340	\$ 1,418	\$ 109,976	\$ 1,178,734
Construction costs	656,901	-	-	656,901	-	-	656,901
Cost of sales	-	116,609	-	116,609	-	-	116,609
Demolition costs	-	973,233	-	973,233	-	-	973,233
Depreciation expenses	14,827	61,058	-	75,885	-	-	75,885
Equipment rental	385	8,935	-	9,320	-	-	9,320
Insurance	26,711	62,126	-	88,837	3,825	2,235	94,897
Interest	12,062	-	-	12,062	-	-	12,062
Office expense	3,015	7,262	-	10,277	9,309	3,369	22,955
Postage	-	-	293	293	1,343	2,418	4,054
Printing and newsletters	-	495	344	839	1,002	7,535	9,376
Professional fees & contract labor	73,522	301,545	-	375,067	18,063	-	393,130
Project recycling	-	13,302	-	13,302	-	-	13,302
Public relations	47,518	-	-	47,518	-	11,880	59,398
Rent	30,392	459,015	11,691	501,098	(7,015)	11,688	505,771
Repairs and maintenance	39,155	30,878	-	70,033	2,141	-	72,174
Small tools	7,586	4,862	-	12,448	-	-	12,448
Supplies	28,783	26,632	-	55,415	-	-	55,415
Property taxes	11,527	-	-	11,527	-	-	11,527
Contribution to HFHI	45,000	-	-	45,000	-	-	45,000
Training and education	-	-	60	60	1,435	-	1,495
Travel	8,665	44,714	328	53,707	5,536	2,056	61,299
Utilities	4,163	52,342	-	56,505	121	121	56,747
Gain on disposal of assets	(15,072)	-	-	(15,072)	-	-	(15,072)
Other	16,558	16,491	7,723	40,772	48,288	4,084	93,144
Total Expenses	\$ <u>1,404,098</u>	\$ <u>2,801,444</u>	\$ <u>73,434</u>	\$ <u>4,278,976</u>	\$ <u>85,466</u>	\$ <u>155,362</u>	\$ <u>4,519,804</u>

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 479,032	\$ 307,140
Adjustments to reconcile net change in net assets to net cash used by operating activities:		
Depreciation	97,377	75,885
Gain on disposal of assets	-	(15,072)
Gain on sale of home	(17,551)	-
Sale of homes net	(466,150)	(260,800)
Amortization of discount	(341,537)	(350,571)
Changes in assets and liabilities that provided (used) cash:		
Prepaid expenses	(16,360)	(3,146)
Inventory	(53,584)	36,224
Construction in progress	81,593	(111,680)
Land held for future construction	157,391	139,575
Other assets	-	26,504
Accounts payable	32,407	(60,675)
Accrued liabilities	(6,335)	8,692
Escrow funds	49,910	(13,830)
Net cash provided by (used in) operating activities	(3,807)	(221,754)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on mortgages receivable	625,796	682,204
Purchase of property and equipment	(106,092)	(168,096)
Purchase land for future construction	(1,123,504)	-
Net cash provided by (used in) investing activities	(603,800)	514,108
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments made on note payable	(82,777)	(201,407)
Proceeds from note payable	777,343	-
Net cash provided by (used in) financing activities	694,566	(201,407)
NET INCREASE IN CASH	86,959	90,947
CASH - beginning of year	1,418,854	1,327,907
CASH - end of year	\$ 1,505,813	\$ 1,418,854
Supplemental disclosures		
Interest paid	\$ 14,771	\$ 12,062
Loan proceeds used to purchase land for future construction	\$ 777,343	\$ -

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity Northwest Harris County (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Business

The Organization was incorporated on February 21, 1989 to encourage, promote, and assist in the building and redevelopment of low-income housing in Cypress-Fairbanks, Klein, Spring, and Tomball school districts. The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make a decent shelter a matter of conscience with people everywhere. Although HFHI assists with information, resources, training, publications and prayer support, the Organization is primarily and directly responsible for its operations.

The Organization's purpose is accomplished through a privately operated and financed program to sell such housing to low-income persons at or below actual cost utilizing non-interest bearing mortgage loans. The Organization expects to finance its operations through continuing contributions and mortgage payment receipts.

The Organization has established the ReStore program to operate a resale store in order to generate additional income and to extend the mission of the Organization by providing low cost donated materials for low income homeowners to repair and improve their houses. The Organization accepts donations of building materials, supplies, furniture and appliances for the store and also receives inventory from deconstructed homes where the donor pays the Organization for deconstruction services and the Organization retains usable items from the deconstructed homes.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents. Included in cash and cash equivalents are homeowners' escrow payments for insurance and real estate taxes and deposits held for future homeowners.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgages Receivable, Net

Mortgages receivable, net represents the amount charged to the homeowner for houses built and secured with real estate that are to be paid back over a mutually established period of time. These mortgages are typically paid back on a monthly basis. Generally, the Organization's mortgages are non-interest-bearing. The mortgage receivable balance has been discounted to reflect the economic value using interest rates ranging from 7.4% to 9% in the year the mortgage was originated. This discount is recognized as income over the life of the mortgage, utilizing the straight-line method.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and mortgages receivable. The Organization places its cash with high credit quality financial institutions. In monitoring this credit risk, the Organization periodically evaluates the stability of the financial institutions. The Organization maintains cash accounts in excess of \$250,000 at a single financial institution. The Federal Deposit Insurance Corporation (FDIC) standard insurance amount is \$250,000 and balances in excess of this amount are subject to risk. The balance in excess of FDIC coverage at June 30, 2017 was \$1,393,563.

Mortgages receivable from homeowners are closely monitored for collectability. The Organization has a formal plan for notifying and working with homeowners that become past due. The Organization commences foreclosure proceedings if a mortgage becomes more than seventy days past due and a mutually acceptable payment plan has not been reached. Management believes no allowance for uncollectible accounts is necessary at June 30, 2017 and 2016.

Inventory

Inventory consists of purchased building materials, furniture, and other merchandise available for sale. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method. Donated inventory is considered not to have value until it is sold.

Construction in Progress

Construction in progress includes direct costs of materials and labor incurred on homes while under the construction phase until the sale of the home to the homeowner is closed.

Land Held for Future Construction

Land held for future construction includes the cost of land and related construction site readiness costs such as concrete, security fencing and landscaping. When homes are completed and the sale of the home to the homeowner has closed, the applicable cost of the lot is reported as construction costs.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Buildings and equipment used in operations are depreciated using the straight-line method based on the estimated useful lives of the assets, generally as follows:

Computers and vehicles	3-5 years
Office equipment & furniture	5-7 years
Warehouse equipment	5-10 years
Leasehold improvements	5 years

Escrow Funds

Homeowner payments are held in escrow for insurance, real estate taxes, and homeowners association dues until remitted to the various vendors.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, the Organization is subject to taxes on unrelated business income. During 2017 and 2016, there was no unrelated business income.

The Organization believes that all significant tax positions utilized will more likely than not be sustained upon examination. As of June 30, 2017, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2013 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as general and administrative expense in the statements of activities.

Net Assets

Information regarding the financial position and activities of the Organization is reported in three categories as follows:

Unrestricted Net Assets - represent expendable funds available for operations which are not otherwise limited by donor restrictions.

Temporarily Restricted Net Assets - consist of contributed funds subject to donor imposed restrictions related to a specific purpose or requiring a specific passage of time before the funds can be spent. As of June 30, 2017 and 2016, the Organization did not have any temporarily restricted net assets.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Permanently Restricted Net Assets - are subject to irrevocable donor restrictions requiring the assets be maintained in perpetuity for the purpose of generating investment income to fund current operations. As of June 30, 2017 and 2016, the Organization did not have any permanently restricted net assets.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a restriction is met in the same year as the restricted contribution, the contribution is treated as an unrestricted contribution. Permanently restricted contributions consist of amounts to be held perpetually, based on donor-imposed requirements.

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value. Unconditional promises to give that are expected to be collected after one year or more are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included as contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization reports gifts of goods and services at the fair market value of the donation when a clear objective basis of determining the value is available. A substantial number of volunteers donate significant contributions of their time to the Organization in the areas of administration, fundraising and house construction. The Organization records the fair value of contributed services that require specialized skills and are provided by individuals with those skills and that would otherwise need to be purchased if not provided by donation. The value of the contributed time not meeting these criteria is not reflected in these financial statements.

For the years ended June 30, 2017 and 2016, the Organization did not receive significant donated services that required specialized skills.

Sale of Homes, Net

Sale of homes represents the sale of houses built and are recorded at the mortgage amount net of the interest discount.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff or other reasonable methods for allocating the Organization’s multiple functional expenditures.

Date of Management Evaluation

Subsequent events have been evaluate through October 18, 2017, the date the financial statements were available to be issued. Management is of the opinion there are no subsequent events to disclose.

Reclassifications

Certain financial reclassifications for 2016 were recorded to conform to the 2017 financial statements.

NOTE B – MORTGAGES RECEIVABLE, NET

Mortgages receivable consist of the following at June 30, 2017 and 2016:

	2017		2016
Receivables due in less than one year \$	519,663	\$	497,991
Receivables due in one to five years	2,598,314		2,352,450
Thereafter	4,516,519		4,222,358
	7,634,496		7,072,799
Discount	(4,381,364)		(4,019,109)
Mortgages receivable, net	\$ 3,253,132	\$	3,053,690

During the year ended June 30, 2017, the Organization began selling homes to qualified low income families with a second subordinate mortgage loan equal to the difference between the first mortgage loan and the appraised value of the home. Subordinate mortgages are no-interest instruments, and the payments are deferred (thus the common reference as “soft” or “silent” mortgage) until the maturity date or other triggering event, such as the sale or other transfer of title, default under the first mortgage, or refinancing of the first mortgage. When any funds related to the subordinate mortgages are received, the funds are recorded as income. Since the subordinate mortgage is forgiven if all monthly mortgage payments are made on time, the subordinate mortgage is considered a contingent asset, and it is therefore not recorded as an asset. The principal amount of subordinated mortgages as of June 30, 2017 was \$297,058.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2017 and 2016

NOTE C – CONSTRUCTION IN PROGRESS

Construction in progress represents building materials and labor on houses. The following is a summary of construction in progress at June 30, 2017 and 2016:

	<u>Number</u>	<u>Cost</u>
Homes under construction, June 30, 2015	13	\$ 226,216
Costs incurred on homes under construction		159,826
New homes started during the year	4	497,003
Homes transferred during the year	<u>(9)</u>	<u>(545,149)</u>
Homes under construction, June 30, 2016	8	337,896
Costs incurred on homes under construction		181,420
New homes started during the year	18	515,345
Homes transferred during the year	<u>(12)</u>	<u>(778,358)</u>
Homes under construction, June 30, 2017	<u>14</u>	<u>\$ 256,303</u>

NOTE D – FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

At June 30, 2017 and 2016, the cost and accumulated depreciation of furniture, equipment and leasehold improvement were as follows:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 52,552	\$ 52,552
Office equipment	33,772	33,772
Warehouse equipment	98,649	64,623
Furniture and fixtures	44,027	39,353
Vehicles	361,257	318,986
Leasehold improvements	<u>168,597</u>	<u>143,476</u>
	758,854	652,762
Accumulated depreciation	<u>(415,851)</u>	<u>(318,474)</u>
	<u>\$ 343,003</u>	<u>\$ 334,288</u>

Depreciation expense for years ended June 30, 2017 and 2016 was \$97,377 and \$75,885 respectively.

NOTE E – NOTE PAYABLE

During the year ended June 30, 2017, the Organization made the final payments of \$82,777 on a \$2,737,100 seven year construction loan.

During the year the Organization also entered into an Acquisition and Development Loan Agreement with another bank proving for borrowings of up to \$1,950,000, at interest rate of 4.25%, for 75% of the acquisition and development cost of 10.58 acres of undeveloped land.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 For the years ended June 30, 2017 and 2016

NOTE E – NOTE PAYABLE (continued)

The land is located on Ella Boulevard south of FM 1960 on which the Organization plans to build 65 single family residential affordable housing units. Borrowings during the year ended June 30, 2017 consisted of 75% of the \$1,037,000 land acquisition cost. Interest only is due monthly until February 5, 2019 when both principal and interest are due monthly based on the balance then outstanding with a balloon payment of all unpaid principal due on January 5, 2022. The note is collateralized by the land and any resulting mortgages on homes.

Future principal payments by fiscal year as of June 30, 2017 are:

<u>Year ending June 30,</u>	
2018	\$ -
2019	107,964
2020	259,114
2021	259,114
2022	151,151
Thereafter	-
	<u>\$ 777,343</u>

NOTE F– RELATED PARTIES

The Organization elects to tithe a portion of its annual contributions (excluding in-kind and restricted contributions) to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2017 and 2016, the Organization contributed \$34,135 and \$48,731 to HFHI, respectively.

The Organization received approximately \$18,850 and \$11,205 in contributions from Board Members in fiscal year 2017 and 2016, respectively.

NOTE G – LEASE COMMITMENTS

The Organization leases office space, Restore resale store and a Donations Collection Center under an operating lease expiring in 2024 with future commitments by fiscal year as follows:

<u>Year ending June 30,</u>	
2018	\$ 625,870
2019	659,199
2020	659,199
2021	701,967
2022	620,571
Thereafter	1,062,792
	<u>\$ 4,329,598</u>

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2017 and 2016

NOTE G – LEASE COMMITMENTS (continued)

Rent expense amounted to \$548,164 and \$505,771 for 2017 and 2016, respectively. The Company had \$2,779 of rent expense related to a month-to-month storage unit agreement.

NOTE H – LITIGATION AND RISK MANAGEMENT

The organization is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the Organization purchased commercial insurance for claims related to such risks.