HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Morey Nee Buck & Oswald, LLC
Certified Public Accountants and Advisors

HABITAT FOR HUMANITY OF
THE LEHIGH VALLEY, INC.
JUNE 30, 2017

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Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of the Lehigh Valley, Inc.
Allentown, Pennsylvania

We have audited the accompanying financial statements of Habitat for Humanity of the Lehigh Valley, Inc. (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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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 of the Lehigh Valley, Inc. as of June 30, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenue and other support and expenses-ReStore on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Morey, Nee, Buck & Oswald, LLC

Morey, Nee, Buck & Oswald, LLC
Spring House, Pennsylvania
October 24, 2017

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF JUNE 30, 2016

	2017	2016
Assets:		
Cash, unrestricted	$ 387,107	$ 477,586
Cash, Building Bridges	-	82,902
Contributions receivable	12,378	86,502
Receivable from escrow funds	5,559	-
Noninterest bearing mortgage loans, net of discount	2,674,926	2,524,738
Noninterest bearing mortgage loans, restricted under financing agreements, net of discounts	787,589	814,654
Other homeowner loans	2,910	6,783
Other assets	30,333	28,699
Property held for resale	180,738	162,595
Construction work-in-progress	1,245,287	1,328,282
Property and equipment, net	362,928	400,178
Total assets	$ 5,689,755	$ 5,912,919
Liabilities and net assets:		
Accounts payable	$ 16,593	$ 36,210
Accrued expenses and other liabilities	15,823	41,229
Building Bridges	-	82,902
Notes payable	1,018,701	1,092,459
Payable from escrow funds	-	1,057
Total liabilities	1,051,117	1,253,857
Net assets		
Unrestricted	4,465,982	4,365,180
Temporarily restricted	172,656	293,882
Total net assets	4,638,638	4,659,062
Total liabilities and net assets	$ 5,689,755	$ 5,912,919

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

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES AND OTHER SUPPORT	Unrestricted	Temporarily Restricted	2017 Totals	2016 Totals
Contributions:				
Cash	$ 457,158	$ 207,125	$ 664,283	$ 1,160,430
Properties, services, and materials	151,152	-	151,152	87,555
	608,310	207,125	815,435	1,247,985
Sales to homeowners	387,078	-	387,078	384,912
ReStore sales	788,318	-	788,318	670,834
Mortgage loan discount amortization	151,268	-	151,268	152,993
Special event income	125,981	-	125,981	83,458
Interest income	167	-	167	230
Other income	7,508	-	7,508	3,519
Net assets released from restrictions	328,351	(328,351)	-	-
Total revenues and other support	2,396,981	(121,226)	2,275,755	2,543,931
EXPENSES AND LOSSES				
Program services:				
Construction	1,096,938	-	1,096,938	1,121,591
Family and volunteer services	127,791	-	127,791	146,434
Supporting services:				
ReStore	623,024	-	623,024	524,978
Management and general	144,846	-	144,846	160,114
Fund raising	297,408	-	297,408	204,616
Total expenses	2,290,007	-	2,290,007	2,157,733
Losses:				
Loss on disposal of asset	6,172	-	6,172	12,104
Loss from impairment	-	-	-	321,983
Total expenses and losses	2,296,179	-	2,296,179	2,491,820
Change in net assets	100,802	(121,226)	(20,424)	52,111
Net assets at beginning of year	4,365,180	293,882	4,659,062	4,606,951
Net assets at end of year	$ 4,465,982	$ 172,656	$ 4,638,638	$ 4,659,062

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

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services		Supporting Services				
	Construction	Family and Volunteer Services	ReStore	Management and General	Fund Raising	2017 Totals	2016 Totals
Cost of homes sold	$ 538,830	$ -	$ -	$ -	$ -	$ 538,830	$ 523,445
Committee expenses	-	1,084	-	-	-	1,084	1,122
Depreciation and amortization	15,998	1,204	17,982	7,142	-	42,326	29,557
Insurance	19,908	427	4,441	3,356	-	28,132	27,041
Interest expense	6,496	856	-	1,011	-	8,363	8,686
Marketing expense	-	-	20,993	-	64,055	85,048	53,242
Mortgage discounts	172,910	-	-	-	-	172,910	173,556
Other	9,697	12,190	64,282	5,935	7,814	99,917	109,155
Other construction costs	22,742	-	-	-	-	22,742	16,166
NRI project costs	22,041	-	-	-	-	22,041	34,863
Professional services	-	-	296	25,883	11,395	37,573	32,567
Rent expense	-	-	190,030	-	-	190,030	157,270
Salaries and benefits	262,304	110,710	274,451	80,325	149,885	877,676	848,051
Special events expense	-	-	-	-	61,658	61,658	39,520
Supplies and repairs	-	385	15,347	16,935	2,601	35,268	25,240
Tithe donation to HFHI	3,500	-	-	-	-	3,500	5,000
SOSI Fee to HFHI	15,000	-	-	-	-	15,000	15,000
Utilities	7,512	935	35,202	4,259	-	47,909	47,777
Escrow forgiveness	-	-	-	-	-	-	10,475
TOTAL EXPENSES	$ 1,096,938	$ 127,791	$ 623,024	$ 144,846	$ 297,408	$ 2,290,007	$ 2,157,733

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

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (20,424)	$ 52,111
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	42,326	29,557
Mortgage loan discount amortization	(151,268)	(152,993)
Mortgage discount	172,910	173,556
Transfers to homeowners	(387,078)	(384,912)
Cost of homes sold	538,830	523,445
Impairment on property	-	321,983
Donated properties, equipment and materials	(7,124)	(39,331)
(Increase) decrease in assets:		
Contributions receivable	74,124	(64,043)
Other assets	(7,193)	5,435
Increase (decrease) in liabilities:		
Accounts payable	(19,618)	11,582
Accrued expenses	(25,405)	7,719
Payable from escrow	(1,057)	(132,034)
Net cash provided (used) by operating activities	209,023	352,075
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from noninterest bearing mortgage loans and other homeowner loans	266,074	270,957
Additions of property and equipment	(5,076)	(63,262)
Additions to property held for resale	(18,143)	(13,085)
Additions to construction work-in-progress	(448,711)	(542,688)
Additions to other homeowners loan	-	(2,550)
Closing costs paid	(19,888)	(21,984)
Net cash provided (used) by investing activities	(225,744)	(371,612)

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

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(73,758)	(76,289)
Net cash provided (used) by financing activities	(73,758)	(76,289)
Net increase (decrease) in cash	(90,479)	(96,826)
Cash, beginning of year	477,586	574,412
Cash, end of year	$ 387,107	$ 477,586
SUPPLEMENTAL		
Cash paid during the year for interest	$ 8,363	$ 8,686
Transfers to homeowners subject to noninterest bearing mortgage loans	$ 407,966	$ 406,896

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Habitat for Humanity of the Lehigh Valley, Inc. (the Organization) utilizes contributions, including grants, from individuals and organizations to engage in the construction, rehabilitation, and the sale of housing to economically disadvantaged people on a nonprofit and noninterest basis in the Lehigh Valley area of Pennsylvania. A Board of Directors appoints committees to select sites and families, plan construction, organize volunteer labor and provide volunteer services, enabling houses to be constructed or refurbished at a cost substantially less than market value.

Habitat for Humanity of the Lehigh Valley proposes to develop safe, decent and affordable housing to hardworking, low-income families, while helping to revitalize and stabilize neighborhoods in the Lehigh Valley. Through Habitat's broader community development strategy, the Neighborhood Revitalization Program, we propose to identify opportunities to build new construction, rehabilitate and revitalize blighted properties for low-income home ownership. Through The Neighborhood Revitalization Program, resources are concentrated in target neighborhoods so they can be transformed into vibrant, safe, and inviting places to live for both current and future residents. The Neighborhood Revitalization Program is reported as part of program services for construction.

Habitat operates the Habitat Lehigh Valley ReStore, (the ReStore), a retail operation where home furnishings, appliances, construction materials, and other miscellaneous items are donated and then sold to the community. Inventory is not reflected in the financial statements because the value is unknown at the time of donation.

The ReStore is operated with the purpose of generating funds to support the organization's homebuilding and neighborhood revitalization programs. The ReStore is reported as a supporting service activity.

The Organization's activities are funded primarily by contributions, including grants, from individuals, religious organizations, corporations and governmental entities.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board under which the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at the Board's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

As of June 30, 2017, the Organization did not have any permanently restricted net assets.

Contributions Receivable

Contributions, which include certain grant revenue, are recorded as revenue at their fair value in the period received. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions. Unconditional promises to give are recognized as revenues or gains in the period received as assets, decrease of liabilities, or expense depending on the form of the benefits received.

All contributions receivable as of June 30, 2017 are due within one year.

Contributed Materials and Services

The Organization records various types of in-kind contributions for use in its programs, fundraising and administration. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

Contributions of items to be sold by the ReStore are not recognized as revenue until the items are sold. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. In-kind contributions totaled $151,152 for the year ended June 30, 2017.

Advertising

All advertising and marketing costs are expensed when incurred and are presented in the statement of activities as a component of expenses. During the year, the Organization incurred advertising and marketing expenses of $ 85,048.

Noninterest Bearing Mortgages

The Organization holds mortgages on rehabilitated and newly constructed properties which are noninterest bearing. The home is collateral for each mortgage. Noninterest bearing mortgages are stated at unpaid principal balances, net of discount.

Noninterest bearing mortgages have been discounted at various rates based upon prevailing market rates at the inception of the mortgages reflecting the interest portion of the noninterest bearing mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. Because the unearned discounts on the loans are only amortized as each payment is received from the homeowners, the mortgages are not required to be placed in nonaccrual status.

Management analyzes any borrower's failure to meet repayment terms, borrower's deteriorating financial condition or depreciation of the underlying collateral to consider any impairment of the mortgage and any allowance for loan loss necessary. Past due status is determined based on contractual terms. Management's analysis indicates that no provision for loan losses is required because the Organization is a secured creditor and the fair market value of the homes is in excess of the related mortgage note balances net of discount.

Homeowners also pay a monthly escrow amount from which the Organization pays property taxes and insurance.

Restricted Noninterest Bearing Mortgages

The Organization has pledged a portion of its noninterest bearing mortgages to the Pennsylvania Housing Financing Agency (PHFA) and other organizations under financing agreements accounted for as secured borrowings. The mortgages pledged are collateral for notes payable. In the event of a default by a mortgagee, the Organization is required to pay to the lender an amount equal to the outstanding principal of the defaulted mortgage plus costs and fees or substitute another similar mortgage.

The Organization is required to continue servicing the mortgage loans that serve as collateral for the note payable.

Second Mortgages Receivable

In order to protect against the resale of Habitat for Humanity homes for a windfall profit, the Organization holds a second mortgage on every Habitat home. As long as the homeowner renders timely payment on the first mortgage, the Organization will forgive a portion of the outstanding principal balance of the second mortgage over the course of the first mortgage term. For mortgage loans made prior to January 1, 1999, the forgiveness of the second mortgage began with the first payment on the mortgage and occurs ratably over the course of the first mortgage term. For mortgage loans made after January 1, 1999, the forgiveness of the second mortgage does not begin until the fifth anniversary of the issuance of the first mortgage loan. Upon the fifth anniversary of the first mortgage loan, an amount equal to the total payments previously made on the first mortgage is forgiven on the second mortgage loan. Subsequent to the fifth anniversary of the first mortgage loan, each payment made on the first mortgage loan results in an equal amount being forgiven on the second mortgage loan. No payments are made on these second mortgages unless a house is resold; in which case, the Organization holds the right of purchase. The policy also prohibits the subordination of the second mortgages to any outside liens entered into subsequent to the settlement date. As gain contingencies are not likely to be realized, these second mortgages are not recorded as assets on the Statement of Financial Position.

Property and Equipment

The Organization capitalizes assets purchased or donated if they have a useful life greater than one year and a value greater than or equal to $1,000. Purchased property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Donated property and equipment are recorded at fair value as of the date of the gift.

Property Held for Resale

Property held for resale consists of properties that the Organization has repurchased from former homeowners to facilitate the sale of such properties on the open market. The properties are recorded at the lesser of reacquisition cost or fair value. Reacquisition costs include the previously recorded mortgage loan, net of unamortized discount as well as any cash used to repurchase and rehabilitate the property.

Program Services

Program services include cost of homes sold and the discount on mortgage originations. The cost of home building is capitalized to construction work in progress as incurred. Upon completion of construction and the transfer of the home to the new homeowner, the cost of construction is expensed as cost of homes sold.

Transfers to Homeowners

Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages.

Income Taxes
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be disclosed.

The Organization's policy is to classify income tax related interest and penalties, if any, in interest expense and other expenses, respectively.

Note 2 - Noninterest Bearing Mortgages
Noninterest bearing mortgages as of June 30, 2017 consist of the following:

	Unrestricted	Restricted	Total
Principal	$ 4,184,415	$ 1,200,234	$ 5,384,649
Mortgage discount	(1,509,489)	(412,645)	(1,922,134)
	$ 2,674,926	$ 787,589	$ 3,462,515

The following schedule summarizes the payment status of the noninterest bearing mortgages as of June 30, 2017.

	Number of Loans	Loan Principal Balance	
Current	59	$ 4,411,988	82.0%
30 to 59 days past due	6	291,335	5.4
60 to 89 days past due	5	324,207	6.0
90 days or more past due	6	357,119	6.6
	76	$ 5,384,649	100.0%

Note 3 - Property and Equipment

Property and equipment as of June 30, 2017 consists of the following:

Land	$ 25,000
Building	403,707
Leasehold improvements	30,190
Equipment and furniture	45,772
Vehicles	150,426
	655,095
Less accumulated depreciation	292,167
	$ 362,928

Depreciation expense for the year ended June 30, 2017 was $ 41,211.

Note 4 - Notes Payable

The Organization's notes payable as of June 30, 2017 consists of the following:

Note payable, Pennsylvania Housing Finance Agency (PHFA), due August 2033, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	$ 118,527
Note payable, Pennsylvania Housing Finance Agency (PHFA), due November 2037, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	369,961
Note payable, Pennsylvania Housing Finance Agency (PHFA), due June 2038, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	206,271
Note payable, Bethlehem Housing Authority, due January 2020, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	43,280
Note payable, Bethlehem Housing Authority, due July 2020, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	25,138

Note payable, Bethlehem Housing Authority, due April 2022, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	33,646
Note payable, Bethlehem Housing Authority, due April 2023, payable in quarterly installments equal to the monthly mortgage payments received on mortgage loans which collateralize the note, at 0% interest.	34,222
Note Payable, Lafayette Ambassador Bank, payable in monthly installments of $1,279, due April 2034, with a fixed rate of 4% through May 2019, collateralized by real estate.	187,656
	$ 1,018,701

The agreements with PHFA state that the loans shall be repaid in accordance with the TANF (the federal Temporary Assistance for Needy Families) Zero Mortgage Loan Program Note. Under the current agreement, if not sooner paid, any amounts which remain outstanding under the Loan shall be due and payable upon 30 years from the date of the loan closing. Accordingly, each PHFA loan reflects a maturity date 30 years from the date of the loan closing.

The future maturities of the notes payable as of June 30, 2017 are as follows:

Year ending June 30:	
2018	$ 85,208
2019	90,535
2020	82,073
2021	69,154
2022	66,663
Thereafter	625,068
	$ 1,018,701

Financing Agreement

The Organization entered into a financing agreement with Lafayette Ambassador Bank in order to pay off the existing Lafayette Bank Site Development Loan in the amount of $127,924, for the Minsi Ridge property mentioned below, and to make capital improvements to the property located at 239-245 N. Graham Street, Allentown, PA.

The agreement included a $210,000 mortgage which satisfies the site-development line of credit of $127,924. The remaining $75,000 is intended for capital improvements. As of June 30, 2017, $20,855 of the $75,000 has been expended for improvements leaving $54,145 available for future use.

In addition, the Organization secured a revolving line of credit of $250,000, with a floating Wall Street Journal Prime Rate minus 0.25% with a floor rate of not less than 3.00%. The line is available to the Organization for short term cash needs related to construction.

The property located at 245 N Graham Street, Allentown, PA serves as collateral for the line of credit.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets, which represents cash restricted by donor stipulations, is available for the following purposes as of June 30, 2017:

New construction and rehabilitation of homes	$ 154,400
Neighborhood Revitalization Program	17,363
Scholarship and Education Funds	893
	$ 172,656

Note 6 - Retirement Plan

The Organization has a SIMPLE IRA retirement plan covering all employees whose compensation is at least $5,000 and who have earned at least $5,000 in two preceding calendar years. Each calendar year, the Organization makes a matching contribution equal to the employee’s salary reduction contributions up to a limit of 3% of the employee’s compensation. The Organization contributed $5,907 for the year ended June 30, 2017 in addition to the elective deferrals made by the employees.

Note 7 - Transactions with Habitat for Humanity International, Inc.

The Organization is an affiliate of Habitat for Humanity International, Inc (HFHI); and annually remits a portion of its contributions (excluding in-kind contributions) to HFHI. These funds are used to construct homes in economically depressed areas around the world. During the year ended June 30, 2017, the Organization remitted $3,500.

HFHI has mandated a Stewardship and Organizational Sustainability Initiative (SOSI) Fee. This mandatory fee is based on service area population and is intended to have affiliates contribute to HFHI costs to serve United States affiliates. For the year ended June 30, 2017, the Organization paid a $15,000 SOSI Fee.

Note 8 - Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 9 - Operating Lease

The Organization leases the building that houses its ReStore retail store. The terms of the lease call for monthly payments over the initial lease term of seven years through December 2019. The lease also contains two renewal options for a period of five years each. The future minimum lease payments on the lease are as follows:

Year ending June 30:	
2018	$ 157,427
2019	160,578
2020	81,083
Thereafter	-
	$ 399,088

Note 10 – Building Bridges

In 2014-2015, the Executive Director participated in the Rider Poole Collective Impact Fellowship with six other Executive Directors from the Lehigh Valley. The Organization submitted in collaboration with the other Lehigh Valley non-profits the grant application through the Provident Bank Foundation. The Collective Impact Fellows "Building Bridges" project was awarded a $100,000 grant to facilitate this expansive photo gathering initiative. Habitat Lehigh Valley was named the fiduciary agent.

When the project concluded in February 2017, $49,107 was used toward the initiative. In April 2017, the Organization returned the unused portion of the grant, $50,893, to Provident Bank Foundation.

Note 10 – Building Bridges

The Organization did not record any revenue from the grant but will act as an agent to disburse the funds. A corresponding liability was recorded in the statement of financial position indicating unspent monies from the grant until the unspent monies were returned.

Note 11 – Loss from Impairment

During the 2016 fiscal year, the Organization listed 10 property lots for sale, some of which were acquired as part of a larger parcel, that were purchased in previous years, prior to the economic recession. After determination of the cost to prepare and build these lots, management made the decision not to proceed with their development. The lots were listed for sale and this write-down reflects the difference between their allocated and acquisition costs and their market value. These lots were sold during the current fiscal year.

Note 12 - Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure through October 24, 2017 which is the date on which the financial statements were available to be issued. No events or transactions that require disclosure or recognition were identified.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF THE LEHIGH VALLEY, INC.
SCHEDULES OF REVENUES AND OTHER SUPPORT
AND EXPENSES - RESTORE
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
Revenue and Other Support		
Sales	$ 788,318	$ 670,834
Other income	3,563	1,721
Contributions:		
Cash	821	15,095
Properties, services and materials	35,000	6,976
Total revenue and other support	827,702	694,626
Expenses		
Depreciation	17,982	8,956
Insurance	2,019	2,081
Marketing	20,993	21,625
Merchant account fees	13,356	13,593
Other	34,538	28,755
Paint program – direct expenses	6,068	16,205
Rent	190,030	157,270
Repairs and maintenance	10,650	6,265
Salaries and benefits	274,451	223,906
Supplies	4,697	3,826
Truck expense	13,038	9,550
Utilities	35,202	32,946
Total expense	623,024	524,978
Income from operations	$ 204,678	$ 169,648