HABITAT FOR HUMANITY GREATER ORLANDO AND OSCEOLA COUNTY, INC. AND SUBSIDIARY

Consolidated Financial Statements

June 30, 2019 and 2018

With Independent Auditor's Report

withum

ADVISORY TAX AUDIT

Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary
June 30, 2019 and 2018

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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

Board of Directors,
Habitat for Humanity Greater Orlando
and Osceola County, Inc. and Subsidiary:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Accounting Standard Update ("ASU") No. 2016-14, *Non-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

Other Matter

The consolidated financial statements of the Organization for the year ended June 30, 2018, before the restatement described in Note 3, were audited by another auditor whose report dated December 12, 2018, expressed an unmodified opinion on those statements.

As part of our audit of the June 30, 2019 consolidated financial statements, we also audited the adjustments described in Note 3 that were applied to restate the 2018 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 consolidated financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 consolidated financial statements as a whole.

WithumSmith+Brown, PC

November 21, 2019

Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 1,235,839	$ 1,596,380
Grants receivable	67,886	161,329
Contributions receivable, net of discounts	30,050	55,231
Home inventory	834,119	681,579
Homes in process	886,619	514,188
Land held for development	1,940,779	2,248,655
Property and equipment, net	1,809,088	1,878,912
Other assets	178,021	149,328
Mortgage loan receivables, net of discounts	12,206,440	10,546,990
Assets of discontinued operations	46,581	194,708
Total assets	$ 19,235,422	$ 18,027,300
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 172,273	$ 161,748
Accrued expenses	247,485	152,727
Lines of credit	3,048,028	1,156,755
Notes payable	1,285,135	2,109,826
Secured borrowings, net	6,482,484	5,148,048
Deferred revenue	140,000	608,225
Liabilities of discontinued operations	44,412	123,631
Total liabilities	11,419,817	9,460,960
Net assets, as restated (see Note 3)		
Without donor restrictions	7,539,216	8,238,792
With donor restrictions	276,389	327,548
Total net assets	7,815,605	8,566,340
Total liabilities and net assets	$ 19,235,422	$ 18,027,300

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains						
Sales to homeowners, net of mortgage origination discounts	$ 3,633,115	$ -	$ 3,633,115	$ 4,175,987	$ -	$ 4,175,987
Contributions	1,068,191	-	1,068,191	1,242,027	-	1,242,027
Grants (see Note 3)	1,178,143	246,339	1,424,482	2,224,391	7,000	2,231,391
In-kind contributions	646,879	-	646,879	897,552	-	897,552
Amortization of mortgage loan discounts	384,012	-	384,012	248,494	-	248,494
Other income	29,118	-	29,118	33,716	-	33,716
Interest income	11,840	-	11,840	7,944	-	7,944
Net assets released from restrictions	297,498	(297,498)	-	274,591	(274,591)	-
Total revenue, support and gains	7,248,796	(51,159)	7,197,637	9,104,702	(267,591)	8,837,111
Expenses						
Program services	6,004,852	-	6,004,852	7,521,193	-	7,521,193
Supporting services						
Fundraising	481,609	-	481,609	489,172	-	489,172
Management and general	884,481	-	884,481	877,850	-	877,850
Total expenses	7,370,942	-	7,370,942	8,888,215	-	8,888,215
Change in net assets from continuing operations	(122,146)	(51,159)	(173,305)	216,487	(267,591)	(51,104)
Change in net assets from discontinued operations	(577,430)	-	(577,430)	(173,019)	-	(173,019)
Net change in net assets	(699,576)	(51,159)	(750,735)	43,468	(267,591)	(224,123)
Net assets, as restated (see Note 3)						
Beginning of year	8,238,792	327,548	8,566,340	8,195,324	595,139	8,790,463
End of year	$ 7,539,216	$ 276,389	$ 7,815,605	$ 8,238,792	$ 327,548	$ 8,566,340

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando and Osceola County, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating activities		
Change in net assets	$ (750,735)	$ (224,123)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization on property and equipment	68,033	67,002
Amortization of debt issuance costs to interest expense	41,648	34,255
Amortization of mortgage loan discounts	(384,012)	(282,749)
Mortgage originations	(2,897,487)	(3,181,120)
Discounts on mortgage originations	737,975	987,561
Bad debt recovery	-	(192,824)
Donated land held for development	(98,400)	-
Donated property and equipment	-	(140,179)
(Gain) loss on disposal of property and equipment	(38,849)	174,642
(Increase) decrease in		
Grants and contributions receivable	118,624	661,261
Home inventory	(152,540)	1,116,161
Homes in process	(372,431)	388,980
Land held for development	406,276	(1,889,003)
Other assets	(28,693)	13,744
Increase (decrease) in		
Accounts payable and accrued expenses	57,778	13,540
Deferred revenue	(468,225)	(750,814)
Net cash used in operating activities of continuing operations	(3,761,038)	(3,203,666)
Net cash provided by (used in) operating activities of discontinued operations	105,613	(6,769)
Net cash used in operating activities	(3,655,425)	(3,210,435)
Investing activities		
Purchases of property and equipment	(26,746)	(1,728,664)
Proceeds from sale of equipment	67,386	1,600
Principal payments received on mortgage loans receivable	884,074	629,517
Net cash provided by (used in) investing activities of continuing operations	924,714	(1,097,547)
Net cash provided by investing activities of discontinued operations	10,800	-
Net cash provided by (used in) investing activities	935,514	(1,097,547)
Financing activities		
Proceeds from notes payable and secured borrowings, net of debt discounts of $224,633 in 2019 and $358,122 in 2018	1,960,761	4,460,518
Repayments on notes payable and secured borrowings	(667,420)	(798,888)
Debt issuance costs	(97,244)	-
Borrowings on line of credit	1,564,028	1,156,000
Repayments on line of credit	(400,755)	(178,808)
Net cash provided by financing activities	2,359,370	4,638,822
Change in cash and cash equivalents	(360,541)	330,840
Cash and cash equivalents		
Beginning of year	1,596,380	1,265,540
End of year	$ 1,235,839	$ 1,596,380
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 203,081	$ 101,911
Noncash investing and financing activities		
Repayments of lines of credit and notes payable financed through an additional line of credit	$ 1,479,000	$ -

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando
and Osceola County, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Supporting Services: Fundraising	Supporting Services: Management and General	Supporting Services: Total Supporting Services	Continuing Operations	Discontinued Operations	Total
Cost of building materials and supplies sold	$ 2,740,827	$ -	$ -	$ -	$ 2,740,827	$ 79,155	$ 2,819,982
Payroll expenses	1,446,485	360,655	606,291	966,946	2,413,431	481,745	2,895,176
Discounts on mortgages issued	737,975	-	-	-	737,975	-	737,975
Rent and other occupancy costs	17,408	-	-	-	17,408	408,275	425,683
Professional fees	37,281	4,839	109,284	114,123	151,404	364	151,768
Supplies expenses	16,499	2,267	3,967	6,234	22,733	1,462	24,195
IT expenses	35,946	4,940	8,642	13,582	49,528	1,195	50,723
Home repairs and property maintenance	347,836	-	-	-	347,836	-	347,836
Tithes and fees to affiliates	31,200	9,706	-	9,706	40,906	-	40,906
Interest and borrowing expenses	268,515	18,840	34,540	53,380	321,895	-	321,895
Other	81,701	14,908	31,499	46,407	128,108	19,251	147,359
Utilities	11,305	514	943	1,457	12,762	46,451	59,213
Depreciation	42,967	4,808	20,258	25,066	68,033	17,576	85,609
Promotional expenses	19,372	51,412	3,726	55,138	74,510	349	74,859
Transportation	36,705	6	84	90	36,795	29,760	66,555
Insurance	45,921	1,588	20,091	21,679	67,600	2,078	69,678
Equipment lease and maintenance	22,340	-	-	-	22,340	24	22,364
Board/staff development	6,730	1,850	8,511	10,361	17,091	-	17,091
Printing and postage	1,071	4,087	28,660	32,747	33,818	440	34,258
Closing and mortgage service costs	60,591	-	-	-	60,591	-	60,591
Telephone and internet	3,830	673	7,038	7,711	11,541	1,994	13,535
Property tax	31,196	516	947	1,463	32,659	-	32,659
(Gain) loss on disposal of property and equipment, net	(38,849)	-	-	-	(38,849)	96,610	57,761
	$ 6,004,852	$ 481,609	$ 884,481	$ 1,366,090	$ 7,370,942	$ 1,186,729	$ 8,557,671

The Notes to Consolidated Financial Statements are an integral part of these statements.

Habitat for Humanity Greater Orlando
and Osceola County, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	Supporting Services: Fundraising	Supporting Services: Management and General	Supporting Services: Total Supporting Services	Continuing Operations	Discontinued Operations	Total
Cost of building materials and supplies sold	$ 4,268,630	$ -	$ -	$ -	$ 4,268,630	$ 8,105	$ 4,276,735
Payroll expenses	1,396,284	371,734	462,544	834,278	2,230,562	617,988	2,848,550
Discounts on mortgages issued	929,314	-	-	-	929,314	-	929,314
Rent and other occupancy costs	-	-	-	-	-	395,186	395,186
Professional fees	32,719	2,880	85,711	88,591	121,310	2,743	124,053
Bad debt recovery	(190,744)	-	(2,080)	(2,080)	(192,824)	-	(192,824)
Supplies expenses	25,298	612	12,469	13,081	38,379	-	38,379
IT expenses	50,548	1,222	24,914	26,136	76,684	4,435	81,119
Home repairs and property maintenance	315,701	-	-	-	315,701	-	315,701
Tithes and fees to affiliates	74,799	14,766	-	14,766	89,565	-	89,565
Interest and borrowing expenses	153,704	17,675	34,804	52,479	206,183	-	206,183
Other	95,115	9,269	33,493	42,762	137,877	44,167	182,044
Utilities	11,919	2,091	5,329	7,420	19,339	64,223	83,562
Depreciation	56,162	4,463	6,377	10,840	67,002	25,018	92,020
Promotional expenses	13,612	44,497	647	45,144	58,756	15,587	74,343
Transportation	40,669	-	-	-	40,669	25,687	66,356
Insurance	54,000	3,852	3,787	7,639	61,639	6,785	68,424
Equipment lease and maintenance	35,700	-	-	-	35,700	26,114	61,814
Board/staff development	5,629	3,890	8,955	12,845	18,474	-	18,474
Printing and postage	7,346	10,383	13,630	24,013	31,359	-	31,359
Closing and mortgage service costs	109,859	-	6,705	6,705	116,564	-	116,564
Telephone	3,279	80	4,683	4,763	8,042	-	8,042
Property tax	31,650	1,758	1,758	3,516	35,166	-	35,166
Loss on disposal of property and equipment, net	-	-	174,124	174,124	174,124	-	174,124
	$ 7,521,193	$ 489,172	$ 877,850	$ 1,367,022	$ 8,888,215	$ 1,236,038	$ 10,124,253

The Notes to Consolidated Financial Statements are an integral part of these statements.

1. ORGANIZATION AND PURPOSE

Habitat for Humanity Greater Orlando and Osceola County, Inc. ("Habitat") (a nonprofit corporation) was incorporated on May 20, 1986 under the laws of the state of Florida. On June 8, 2018, Habitat changed its name to Habitat for Humanity Greater Orlando and Osceola County, Inc. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

On October 20, 2015, Habitat formed a Florida single member limited liability corporation, HFHGO Funding Company I, LLC ("Funding Company"), the sole member of which is Habitat (collectively, the "Organization"). Funding Company was formed for the purpose of entering into certain business transactions related to its mortgage loans on behalf and for the benefit of Habitat.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its consolidated financial statements under the guidance of Financial Accounting Standards Board ("FASB") ASC 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Basis of Accounting

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

<u>Without donor restrictions</u> – Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board of Directors ("Board") designation and unavailable for use at management's discretion.

<u>With donor restrictions</u> – Net assets that are subject to donor-imposed stipulations. These stipulations either require the Organization to maintain the net asset permanently, generally permitting all or part of the income earned on related assets be used for general or specific purposes, or be met either by the completion of a stipulated action and/or the passage of time. As of June 30, 2019 and 2018, the Organization does not have any assets that are required to be maintained permanently.

Basis of Consolidation

The consolidated financial statements include the accounts of Habitat and its wholly-owned subsidiary, Funding Company. All significant intercompany balances and transactions have been eliminated in the consolidation.

Use of Estimates

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

Accounting Pronouncement Adopted in Current Year

During 2019, the Organization adopted ASU 2016-14 – Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit's liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. This guidance also enhances disclosures for board designated endowments, composition of net assets without donor restrictions, liquidity and presentation of expenses by both their natural and functional classification. The Organization applied ASU 2016-14 retrospectively. A recap of the prior year net asset classifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

	June 30, 2018		
Net Asset Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
As restated (see note 3)			
Unrestricted	$ 8,238,792	$ -	$ 8,238,792
Temporarily restricted	-	327,548	327,548
Net assets as restated	$ 8,238,792	$ 327,548	$ 8,566,340

Accounting Pronouncements Issued But Not Yet Adopted

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption which includes additional footnote disclosures). The Organization is currently evaluating the impact if its pending adoption of ASU 2014-09 on its consolidated financial statements.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and functional expenses.

ASU 2016-02 is currently effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

At times, the Organization had a concentration of credit risk arising from cash deposits at financial institutions in excess of federally insured limits. At June 30, 2019, approximately $1,150,000 of cash and cash equivalents was uninsured.

Contributions Receivable

Contributions receivable, net of discounts, are unconditional promises to give and are recorded when the promises to give are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. When applicable, the Organization provides an allowance for uncollectible pledges at the time contributions are recorded based on historical write-offs.

Grant Revenue, Grants Receivable and Deferred Revenue

The majority of the Organization's grants received for home construction are exchange transactions in which each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as revenue when such funds have been expended towards their designated purpose. Grants receivable consists of amounts due under these grants and the Organization considers all amounts to be fully collectible as of June 30, 2019 and 2018. Deferred revenue represents costs associated with undeveloped lots ($14,000 per lot) of land granted to the Organization to be used for home construction. The costs associated with each lot is recognized at the time the completed home on the respective lot is sold. At June 30, 2019 and 2018, deferred revenue included costs associated with 10 and 29 unsold lots, respectively.

Land Held for Development, Home Inventory and Homes In Process

Land held for development, home inventory and homes in process are stated at lower of cost or fair value and consist of undeveloped land, and completed and in-process homes which have not yet been sold or transferred to homeowners.

The Organization reviews these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amount of an asset to its fair value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Based on this review, there were no impairments recorded on these assets during fiscal 2019 or 2018.

Property and Equipment

Land is stated at cost; other property and equipment is stated at cost less accumulated depreciation and amortization. Material purchases of property and equipment and significant repairs and additions, which extend the useful life of existing assets, are capitalized in accordance with the Organization's adopted policy. Depreciation and amortization is calculated using the straight-line method for specific assets, using the following estimated useful lives:

Description	Estimated Life (Years)
Building	39 years
Leasehold improvements	Over the terms of the leases
Transportation equipment	5 years
Fixtures and office equipment	3 – 5 years
Warehouse equipment	5 – 10 years
Software	3 years

Mortgage Loans Receivable

Mortgage loans receivable represent non-interest bearing loans upon the sale of a home and have been discounted based upon prevailing market rates at the inception of the mortgage obligations. The original discount is recorded as discounts on mortgages issued within program services on the consolidated statements of functional expenses at the date the mortgage is originated. Discounts are amortized to revenue using the effective interest method over the lives of the mortgage loans and are recorded as amortization of mortgage loan discounts within revenue and support in the consolidated statements of activities. Mortgage loans receivable are collateralized by the underlying home. The Organization reviews each mortgage for collectability, the fair value of the respective collateralized home, and based on actual and anticipated losses, records an impairment if the carrying value of the mortgage loan exceeds the fair value of the underlying collateral. Mortgages that become over 90 days delinquent are turned over to an attorney for collection. If the homeowner does not cure the default, the Organization forecloses on the home, at which time the mortgage loan receivable is written off and the home is put back into inventory for resale at a value equal to costs to foreclose on the home and the carrying value of the defaulted mortgage.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets, including mortgage loans receivable, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Based on this review, there were no impairments recorded on these assets during fiscal 2019 or 2018.

Transfers of Mortgage Loans Receivable

The Organization accounts for transfers of mortgage loans receivable as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Organization's continuing involvement with the mortgage loans receivable transferred. Gains and losses stemming from transfers reported as sales are included in net gain on sale of mortgage loans receivable in the accompanying consolidated statements of activities. Assets obtained and liabilities incurred in connection with transfers reported as sales, if any, are initially recognized in the consolidated statements of financial position at fair value. There were no transfers of mortgage loans receivable that qualified as sales during the years ended June 30, 2019 and 2018.

Transfers of mortgage loans receivable that do not qualify for sale accounting are reported as secured borrowings. Accordingly, the related assets remain on the Organization's consolidated statements of financial position and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as liabilities, with attributable interest expense recognized over the life of the related transactions. During the years ended June 30, 2019 and 2018, the Organization transferred mortgage loans receivable that qualified as secured borrowings (see Note 9).

Deferred Rent

Deferred rent represents tenant improvement allowances and periods of rent abatement related to the Organization's leases which are amortized as a reduction in rent expense over the terms of the related leases. During the year ended 2019, the Organization terminated its leases (see Note 10) and all remaining deferred rent was recognized. In addition, the entire obligation owed under the terms of the leases has been recorded in accrued expenses on the consolidated statement of financial position as of June 30, 2019. Deferred rent of $31,714 has been included in liabilities of discontinued operations as of June 30, 2018.

Debt Issuance Costs

Debt issuance costs are amortized using the effective interest method over the term of the debt into interest expense. Upon the early extinguishment of the related debt, any unamortized deferred financing costs are immediately expensed and included in change in net assets.

Debt issuance costs related to a recognized debt liability are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Organization is therefore presenting deferred financing costs net against notes payable on the accompanying consolidated statements of financial position.

Sales to Homeowners

Sales to homeowners are recorded at the gross mortgage amount plus down payment received. Noninterest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages.

In-Kind Contributions

During fiscal 2019 and 2018, the Organization received $208,254 and $277,727, respectively, of donated construction materials to be used in home building projects, and $404,413 and $415,980, respectively, of land and completed homes donated by builders valued at estimated selling cost. These amounts were recorded as in-kind contributions in the accompanying consolidated statements of activities and either to homes in process on the accompanying consolidated statements of financial position or cost of building materials and supplies sold in the accompanying consolidated statements of functional expenses depending on the nature of the item.

Contributed services are recognized and recorded at fair market value only to the extent they create and enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. During 2018, the Organization received contributed legal services of $45,436. No contributed legal services were recorded during 2019. These donations are included in in-kind contributions in the accompanying consolidated statements of activities and professional fees in the consolidated statements of functional expenses.

During fiscal 2019 and 2018, the Organization also received in-kind contributions for fundraising events in the amounts of $34,212 and $18,230, respectively, which are recorded at estimated fair value of items and services donated and are included in in-kind contributions in the accompanying consolidated statements of activities and promotional expenses in the consolidated statements of functional expenses.

During fiscal 2019, the Organization received in-kind contributions of undeveloped parcels of land in the amount of $98,400, which are recorded at estimate fair value and are included in in-kind contributions in the accompanying consolidated statements of activities and land held for development in the accompanying consolidated statements of financial position.

During fiscal 2018, the Organization received in-kind contributions related to the renovation of its building in the amount of $140,179, which is recorded at estimate fair value and is included in in-kind contributions in the accompanying consolidated statements of activities and property and equipment in the accompanying consolidated statements of financial position. No such contributions were received in 2019.

Thrift Shop Sales

The Organization previously operated two retail thrift stores that specialized in selling surplus new and used building and home improvement materials, appliances and furniture to the public. The thrift stores received donated goods and materials from businesses, contractors, individuals and other organizations which were recorded as thrift shop revenue at the time of sale when the cash is received. Thrift shop operations were discontinued during the year ended June 30, 2019 (see Note 15).

Advertising

Advertising costs are expensed as incurred. Advertising costs totaled $74,859 and $74,343 for the years ended June 30, 2019 and 2018, respectively, and are included in promotional expenses on the consolidated statements of functional expenses.

Income Taxes

Habitat is exempt from Federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code. Funding Company was incorporated under the Florida Revised Limited Liability Company Act and is considered a disregarded entity for federal and state income tax purposes. Therefore, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated statements of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Reclassification

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation. The reclassifications had no effect on net assets or changes in net assets.

3. REVISION TO PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

The Organization's previously issued consolidated financial statements have been revised to correct an error which arose in prior periods. The error related to the misclassification of certain grant revenues as temporarily restricted, causing net assets without donor restrictions to be understated and net assets with donor restrictions to be overstated by $320,548 as of June 30, 2018.

As a result of the correction, net assets without donor restrictions increased as of June 30, 2018, by $320,548, and net assets with donor restrictions decreased as of June 30, 2018, by $320,548 as compared to the Organization's previously issued consolidated financial statements. Revenues without donor restrictions increased and revenues with donor restrictions decreased by $320,548 for the year ended June 30, 2018, as compared to the Organization's previously issued consolidated financial statements. These revisions had no effect on total net assets or the total change in net assets as of, and for the for the year ended, June 30, 2018.

4. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- 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.

- Level 2 – Inputs to the valuation methodology include:

  - Quoted prices for similar assets or 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; and
  - 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 asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Contributions due beyond one year are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the contribution was made with an equivalent term equal to the number of years the contribution will be paid, which approximates fair value. Mortgage loans receivable are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the home was sold with an equivalent term equal to the term of the mortgage, which approximates fair value.

The Organization has no Level 1 or Level 3 financial assets or liabilities. The Organization's Level 2 financial assets include contributions receivable due beyond one year (see Note 5) and mortgage loans receivable (see Note 7).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net of discounts, at June 30, 2019 and 2018, are as follows:

	2019	2018
Amounts due in:		
Less than one year	$ 30,050	$ 30,050
One to five years	-	30,000
	30,050	60,050
Allowance for uncollectible pledges	-	(3,003)
Unamortized discount	-	(1,816)
Contributions receivable, net	$ 30,050	$ 55,231

Contributions receivable due in more than one year are discounted to net present value using interest rates of approximately 1% for the year ended June 30, 2018.

6. PROPERTY AND EQUIPMENT, NET

The components of property and equipment at June 30, 2019 and 2018, are as follows:

	2019	2018
Building	$ 1,463,638	$ 1,458,651
Land	289,250	289,250
Transportation equipment	111,089	123,967
Fixtures and office equipment	54,077	31,222
Warehouse equipment	35,149	53,649
Software	8,835	14,747
	1,962,038	1,971,486
Accumulated depreciation and amortization	(152,950)	(92,574)
Total property and equipment, net	$ 1,809,088	$ 1,878,912

Depreciation and amortization expense on property and equipment totaled $85,609 and $92,020, for the years ended June 30, 2019 and 2018, respectively.

7. MORTGAGE LOANS RECEIVABLE, NET OF DISCOUNTS

Mortgage loans receivable consist entirely of non-interest bearing mortgage notes, secured by residential real estate, payable in monthly installments with maturities ranging from 15 to 40 years. These mortgages are originated through the Organization's home building program.

The amounts presented in the consolidated statements of financial position are net of unamortized discounts arising from imputed interest at June 30, 2019 and 2018, as follows:

	2019	2018
Mortgages receivable (face value)	$ 16,495,370	$ 14,481,958
Unamortized discounts	(4,288,930)	(3,934,968)
Mortgage loans receivable, net of discounts	$ 12,206,440	$ 10,546,990

Contractual maturities of mortgage loans receivable are June 30, 2019 are as follows:

Year Ending June 30,	
2020	$ 1,759,827
2021	1,727,886
2022	1,699,510
2023	1,655,072
2024	1,602,683
Thereafter	8,050,392
	$ 16,495,370

8. LINES OF CREDIT

On August 25, 2018, the Organization entered into an unsecured revolving line of credit with a bank which originally provided for borrowings up to $2,000,000 at the 1-month LIBOR plus 3%, subject to a floor of 4.75% (5.40% at June 30, 2019). Interest-only payments are due monthly on the outstanding principal balance. The line of credit originally matured on August 25, 2018, and was renewed on the same date. The renewal restricts borrowings to $1,500,000 for the life of the $3,000,000 line of credit described below. At June 30, 2019 and 2018, the outstanding balance on the line of credit was $405,000 and $1,156,755, respectively.

On August 29, 2018, the Organization entered into a non-revolving line of credit with a bank for up to $3,000,000, of which $1,500,000 was used to refinance the original purchase of certain parcels of land with U.S. Development of Orlando, Inc. and $1,500,000 was designated for development financing to construct single family homes and a community clubhouse on that land. Interest accrues at a rate equal to 1-month LIBOR plus 2.50%, with a floor of 3.50% (4.90% of June 30, 2019). Interest payments are due monthly, with principal payments of $28,250 due upon the sale of completed homes on the land. Further curtailments are due on certain dates though the maturity date of the loan on August 29, 2022. The line of credit is secured by the related land. The agreement was amended effective September 26, 2019 (see Note 18). At June 30, 2019, the outstanding balance on the line of credit was $2,027,677.

On September 21, 2018, the Organization entered into a revolving promissory note with Orange County Housing Finance Authority for up to $2,000,000 to be used for construction of single family homes built for low and very low income homebuyers. Interest accrues at a fixed rate of 1.5% per annum. Commencing October 1, 2018, monthly interest-only payments are due. Principal payments of $80,000 will be due upon the closing of each home. The note matures at the earliest of the date at which the last home under the agreement is sold or September 21, 2021. The note is secured by the land and homes to be constructed and the completed but not yet sold homes. At June 30, 2019, the outstanding balance on the note was $615,351.

The line of credit agreements and revolving promissory note require certain financial covenants be met. The Organization was in compliance with these financial covenants as of and for the year ended June 30, 2019.

9. NOTES PAYABLE AND SECURED BORROWINGS, NET

Orange County Housing Finance Authority

On September 15, 2015, the Organization entered into a non-revolving promissory note and related construction loan agreement (the "OCHFA Agreement") with Orange County Housing Finance Authority for an amount of $2,000,000 with interest accruing at a rate of 1.5% per annum with a maturity date of September 30, 2018. Commencing on October 1, 2015, interest payments became payable on a monthly basis. Simultaneously, with the closing of each home (as defined in the OCHFA Agreement), the Organization repaid a principal amount of $40,000. The loan was secured by all constructed homes not sold. At June 30, 2018, there was no outstanding balance.

PNC Community Development Company, LLC

On October 22, 2015, Funding Company and PNC Community Development Company, LLC ("PNC") entered into a Note Purchase Agreement whereby Funding Company will sell to PNC a note at a purchase price equal to the present value of the scheduled principal payments of twenty-four outstanding mortgages held by Habitat discounted at a rate of 3% per year. Funding Company acquired from Habitat all of its rights, title and interest in the related mortgages. In order to finance the purchase of the acquisition of these mortgages from Habitat, Funding Company entered into a Secured Note ("Note 1") with PNC in the amount of $1,364,929 whereby it received cash in the amount of $1,059,131, which was subsequently transferred to Habitat. On March 31, 2017, Note 1 was amended to remove three mortgages and add sixteen. This modification resulted in additional cash being paid to Funding Company, which brought the principal amount borrowed to $2,279,086. The difference of $725,372 between the cash proceeds and the modified Note 1 amount was recorded as a discount and will be amortized over the life of Note 1. Installment payments on Note 1 are due monthly in accordance with an amortization schedule with the entire principal balance due and payable on March 1, 2047. As security for Note 1, Funding Company pledged all of its rights, title and interest in the related mortgage loans. As of June 30, 2019 and 2018, the outstanding balance due on Note 1, net of unamortized debt discounts of $659,759 and $695,148, respectively, is $1,292,052 and $1,447,877, respectively.

On March 31, 2017, Funding Company and PNC entered into an additional Note Purchase Agreement whereby Funding Company will sell to PNC a note at a purchase price equal to the present value of the scheduled principal payments of thirty-one outstanding mortgages held by Habitat discounted at a rate of 3% per year. Funding Company acquired from Habitat all of its rights, title and interest in the related mortgages. In order to finance the purchase of the acquisition of these mortgages from Habitat, Funding Company entered into a Secured Note ("Note 2") with PNC in the amount of $2,170,717 whereby it received cash in the amount of $1,615,683, which was subsequently transferred to Habitat. The difference of $555,034 between the cash proceeds and Note 2 amount was recorded as a discount and will be amortized over the life of Note 2. Installment payments on Note 2 are due monthly in accordance with an amortization schedule with the entire principal balance due and payable on March 1, 2047. As security for Note 2, Funding Company pledged all of its rights, title and interest in the related mortgage loans. As of June 30, 2019 and 2018, the outstanding balance due on Note 2, net of unamortized debt discounts of $510,247 and $531,908, respectively, is $1,377,641 and $1,494,587, respectively.

Notes 1 and 2 were accounted for as secured borrowings in accordance with Accounting Standards Codification Topic 860, *Transfers and Servicing*.

IberiaBank

On October 20, 2017, Habitat entered into a Loan Purchase Agreement ("Agreement") with IberiaBank ("Iberia"), whereby Habitat will sell certain residential mortgage loans. Each loan shall be secured by a mortgage creating a first lien or, if approved by Iberia, a second lien on a residential dwelling. In accordance with the Agreement, all loans are sold without recourse, however, if a loan sold under the Agreement defaults after the closing date and becomes a nonperforming loan, as defined, Habitat shall repurchase the loan at a repurchase price, as defined, and Iberia will be required to purchase another loan. On the same date, the parties entered into a Loan Purchase Commitment Letter whereby Habitat sold eighteen loans to Iberia for $1,469,333. As of the closing date, these loans had an aggregate unpaid principal balance of $1,728,628. On April 17, 2018, the parties entered into a second Loan Purchase Commitment Letter whereby Habitat sold nine loans to Iberia for $728,800. As of the closing date, these loans had an aggregate unpaid principal balance of $827,627. The difference between the cash proceeds and the aggregate unpaid principal balance of both loans of $358,122 was recorded as a debt discount and will be amortized over the life of the mortgage loans sold. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgage loans sold.

On various dates during the year ended June 30, 2019, the Organization entered into four additional Loan Purchase Agreements with Iberia for the sale of eighteen residential mortgage loans for proceeds totaling $1,867,990. Total aggregate unpaid principal balances related to these mortgages was $2,092,623 as of the closing date. The difference between the cash proceeds and the aggregate unpaid principal balance of the loans of $224,633 was recorded as a debt discount and will be amortized over the life of the loans sold. Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgage loans sold.

As of June 30, 2019 and 2018, the outstanding balance due to Iberia, net of unamortized debt discounts of $540,341 and $350,671, respectively, is $3,812,791 and $2,205,584, respectively.

In connection with the Agreement, the parties also entered into a Loan Servicing Agreement, whereby Habitat will continue to be responsible for servicing the loans sold. Habitat will receive a servicing fee of $10 per loan per month, which will be netted against monthly loan payments collected by Habitat and remitted to Iberia. Servicing fees for the year ended June 30, 2019 were immaterial.

The transactions with Iberia were accounted for as secured borrowings in accordance with Accounting Standards Codification Topic 860, *Transfers and Servicing*.

LC Realty Associates, LLC

On July 25, 2017, the Organization entered into two separate promissory notes with LC Realty Associates, LLC to finance the purchase of a certain parcel of land and a building. The first note of $1,100,000 requires monthly payments of $7,881, accrues interest at a fixed rate of 6% per annum, and matures July 25, 2037. The second note of $350,000 requires monthly payments of $2,508, accrues interest at a fixed rate of 6% per annum, and matures July 25, 2037. The balance outstanding on these notes at June 30, 2019 and 2018, was $1,370,192 and 1,411,288, respectively. These notes are secured by the Organization's land and building.

U.S. Development of Orlando, Inc.

On March 18, 2018, the Organization entered into a promissory note for $728,000 with U.S. Development of Orlando, Inc. to finance the purchase of land to be used for a future housing development. The note bears interest at a fixed rate of 6% per annum and matured on September 15, 2018, at which time the entire principal balance plus any unpaid accrued interest was due. The balance due under this note was refinanced in August 2018 and fully repaid as of June 30, 2019 using proceeds from a line of credit. The note was secured by the land purchased.

At June 30, 2019, future maturities on the lines of credit, notes payable, and secured borrowings are as follows:

	Lines of Credit	Notes Payable	Secured Borrowings	Total
Year Ending June 30,				
2020	$ 646,675	$ 41,204	$ 579,338	$ 1,267,217
2021	978,675	44,065	579,338	1,602,078
2022	1,074,291	48,939	579,338	1,702,568
2023	348,387	51,957	579,338	979,682
2024	-	43,162	579,338	622,500
Thereafter	-	1,140,865	5,296,141	6,437,006
Total future maturities	$ 3,048,028	$ 1,370,192	$ 8,192,831	12,611,051
Less unamortized discounts				(1,710,347)
Less unamortized loan costs				(85,057)
				$ 10,815,647

10. OPERATING LEASES

The Organization entered into operating lease agreements for thrift store space and equipment with original expiration dates in November 2019. These lease agreements were terminated during the year ended June 30, 2019 in connection with the closing of the thrift stores (see Note 15). Rent expense under these agreements was approximately $333,000 and $286,000 for the years ended June 30, 2019 and 2018, respectively, and is included in rent and other occupancy costs in the accompanying consolidated statements of functional expenses.

11. TRANSACTIONS WITH HABITAT INTERNATIONAL

The Organization remits a portion of its revenues to Habitat International, its affiliate, as further discussed in Note 2. These funds are used to construct homes in economically depressed areas around the world, and therefore these amounts are included as tithes and fees to affiliates within the Organization's program services on the consolidated statements of activities. For the years ended June 30, 2019 and 2018, the Organization contributed approximately $6,200 and $50,000 to Habitat International. Stewardship and sustainability fees paid to Habitat International totaled approximately $25,000 for each of the years ended June 30, 2019 and 2018. The Organization also receives donations from Habitat International which were $14,562 and $2,438 for the years ended June 30, 2019 and 2018, respectively, and are included in contributions on the consolidated statements of activities.

12. FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across program and supporting services based on estimated time spent by employees involved with those areas. Other general and administrative expenses, including depreciation and amortization and rent are allocated based on employee head count and estimated square footage prorated compared to total space used.

13. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions is comprised of undesignated amounts to be used for program and operating expenditures at management's discretion and Board designated amounts of $475,497 and $471,492 at June 30, 2019 and 2018, respectively, which may not be spent by management without the approval of the Board of Directors. The Board designated amounts were established as a reserve account to fund operations upon approval of the Board during times of financial hardship.

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2019 and 2018:

	2019	2018
Contributions due in future periods	$ 30,050	$ 60,059
Contributions restricted by purpose:		
Financial literacy	40,000	-
Homeowner education	12,500	-
Home construction	193,839	267,489
Net assets with donor restrictions, as restated	$ 276,389	$ 327,548

15. DISCONTINUED OPERATIONS

On November 15, 2018, the Board of Directors passed a resolution to close the Organization's thrift shops during fiscal year 2019 and cease its retail operations. The assets and liabilities related to the thrift shops have been included within the consolidated statements of financial position as assets and liabilities of discontinued operations as of June 30, 2019 and 2018. The results of thrift shop operations have been included within the line-item labeled change in net assets from discontinued operations within the consolidated statements of activities for the years ended June 30, 2019 and 2018.

The following table shows the major classes of assets and liabilities of the Organization's discontinued operations as of June 30, 2019 and 2018:

	2019	2018
Property and equipment, net	$ -	$ 124,986
Other assets	46,581	69,722
Assets of discontinued operations	$ 46,581	$ 194,708
Accounts payable	$ 20,412	$ 27,462
Accrued expenses	24,000	64,455
Deferred rent	-	31,714
Liabilities of discontinued operations	$ 44,412	$ 123,631

The following table shows the major classes of the Organization's discontinued operations for the years ended June 30, 2019 and 2018:

	2019	2018
Thrift shop sales	$ 605,874	$ 1,063,019
Other income	3,425	-
Total revenue	609,299	1,063,019
Operating expenses	(1,186,729)	(1,236,038)
Net loss on disontinued operations	$ (577,430)	$ (173,019)

For the years ended June 30, 2019 and 2018, operating expenses from discontinued operations includes depreciation and amortization of $17,576 and $25,018, respectively.

16. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures at June 30, 2019 are as follows:

Cash and cash equivalents	$ 1,235,839
Grants and contributions receivable	97,936
Total financial assets available within one year	1,333,775
Less: Amounts unavailable for general expenditures within one year due to	
Donor restricted for specific purposes	(276,389)
Board designated for operating reserves	(475,497)
Total financial assets available to management for general expenditures within one year	$ 581,889

As part of the Organization's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. Amounts due on long-term debt obligations have not been reflected in the above table.

17. EMPLOYEE BENFIT PLAN

The Organization has a qualified 403(b) savings plan for all eligible employees. Employees may contribute to the plan from 1% to 92% of their compensation, as defined. The Organization is permitted to make discretionary non-elective and discretionary matching contributions. Non-elective and matching contributions made by the Organization for the years ended June 30, 2019 and 2018, totaled $67,224 and $69,117, respectively and are included in payroll expenses in the accompanying consolidated statements of functional expenses.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 21, 2019, the date the consolidated financial statements were available to be issued. Based upon this evaluation, other than disclosed below, the Organization has determined that no other subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.

- On September 26, 2019, the Organization amended a non-revolving line of credit agreement (see Note 8). Under the terms of the amendment, a one-time curtailment of $111,245 was due upon the closing of an additional $550,000 revolving line of credit described below and required quarterly principal curtailments were changed, as defined in the agreement. All other terms of the agreement remained unchanged.

- On September 26, 2019, the Organization entered into a promissory note agreement with a financial institution for up to $550,000. Interest is payable monthly commencing on October 26, 2019 at a rate of 30-day LIBOR plus 2.50%, with a floor of 3.50%. The note matures on September 26, 2022 at which time the full balance of all unpaid principal and interest becomes due. The note is secured by real property in Orange County, Florida.

- On September 23, 2019, the Organization received ten plots of land from an affiliated organization for the development of single-family homes in Orange County, Florida. The land has an appraised value of $182,000 and will be included in land held for development in fiscal year 2020.

- On October 9, 2019, the Organization obtained a commitment letter from a financial institution for a revolving construction line of credit with a borrowing limit of $500,000 to fund the development of ten single-family homes in Orange County, Florida. The line, which is secured by the land planned for the project and any homes constructed but not sold in the project, will accrue interest at a fixed rate of 4.75% and will mature 24 months following the date of closing, with an option to extend for an additional six months subject to a possible interest rate increase. Under the terms of the agreement, a separate line of credit amount is established for each home upon the commencement of construction. Payment terms require interest-only payments for twelve months following the date a home is added to the line, at which time the full balance of principal and unpaid interest becomes due. The commitment agreement expires on January 9, 2020.