

**Wyoming Valley Habitat for Humanity, Inc.**

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**Financial Statements  
As of and for the year ending  
June 30, 2016  
with summarized comparative information for  
June 30, 2015**

**Wyoming Valley Habitat for Humanity, Inc.**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wyoming Valley Habitat for Humanity, Inc.:

We have audited the accompanying financial statements of Wyoming Valley Habitat for Humanity, Inc. (WVHFH), (a non-profit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wyoming Valley Habitat for Humanity, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Wyoming Valley Habitat for Humanity, Inc.'s June 30, 2015 financial statements in our report dated November 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kovalchik, Kollar & Co., LLP*

Kovalchik, Kollar & Co., LLP  
November 25, 2016

**Wyoming Valley Habitat for Humanity, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 225,690	\$ 330,770
Mortgages receivable - current	18,560	14,272
Escrow receivable	4,197	4,173
Prepaid expenses	4,390	3,450
Pledges receivable	3,887	-
Other receivables	1,200	-
<b>Total current assets</b>	<u>257,924</u>	<u>352,665</u>
<b>Property and equipment, net</b>	31,976	18,257
<b>Other Assets:</b>		
Cash held in escrow	11,555	7,404
Investments	135,785	-
Mortgages receivable - due after one year	260,643	248,532
Foreclosed properties	-	54,800
Construction in progress	174,693	114,191
<b>Total other assets</b>	<u>582,676</u>	<u>424,927</u>
<b>Total assets</b>	<u><u>\$ 872,576</u></u>	<u><u>\$ 795,849</u></u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Mortgage escrow payable	\$ 8,582	\$ 9,681
Other accrued expenses	3,351	2,474
<b>Total liabilities</b>	<u>11,933</u>	<u>12,155</u>
<b>Net assets</b>		
Unrestricted	860,643	783,694
Board designated temporarily restricted	-	-
Temporarily restricted	-	-
Permanently restricted	-	-
<b>Total net assets</b>	<u>860,643</u>	<u>783,694</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 872,576</u></u>	<u><u>\$ 795,849</u></u>

See Notes to Financial Statements



**Wyoming Valley Habitat for Humanity, Inc.**  
**Statement of Activities (with comparative totals)**  
**For the Years Ended June 30, 2016 and 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support &amp; revenue</b>				
Grants	\$ 36,000	\$ 54,000		\$ 90,000
Contributions - individuals	7,634			7,634
Contributions - business and foundations	8,935	152,304		161,239
Contributions - HFH International	3,631			3,631
Contributions - churches	1,288			1,288
<b>Total support &amp; revenue</b>	<b>57,488</b>	<b>206,304</b>	<b>-</b>	<b>263,792</b>
<b>Expenses</b>				
Program services	151,487			151,487
Supporting services:				
General and administrative	42,313			42,313
Fund raising	15,127			15,127
<b>Total program &amp; supporting services</b>	<b>208,927</b>	<b>-</b>	<b>-</b>	<b>208,927</b>
<b>Other income</b>				
Sales - restore, net	81,273			81,273
Amortization of mortgage discount	19,993			19,993
Fundraising events	26,617			26,617
Adjustment to market value - real estate	-			-
Gain (Loss) on sale of real property	(110,114)			(110,114)
Gain (Loss) on sale of equipment	2,700			2,700
Late & other fees	610			610
Interest income	1,005			1,005
<b>Total other income</b>	<b>22,084</b>	<b>-</b>	<b>-</b>	<b>22,084</b>
<b>Revenue less expenses</b>	<b>(129,355)</b>	<b>206,304</b>	<b>-</b>	<b>76,949</b>
Reclassifications and net assets released from restrictions	206,304	(206,304)		-
<b>Change in net assets</b>	<b>76,949</b>	<b>-</b>	<b>-</b>	<b>76,949</b>
<b>Net assets, beginning of year</b>	<b>783,694</b>	<b>-</b>	<b>-</b>	<b>783,694</b>
<b>Net assets, end of year</b>	<b>\$ 860,643</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 860,643</b>

See Notes to Financial Statements

**Wyoming Valley Habitat for Humanity, Inc.**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating activities:</b>		
Increase (decrease) in net assets	\$ 76,949	\$ 114,320
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	5,531	4,073
Amortization of mortgage discount	(19,993)	(45,637)
Discount on mortgages issued in the current year	39,126	30,464
Adjustment to market value	-	37,470
Change in operating assets and liabilities:		
(Increase) decrease in mortgage receivable	(35,532)	39,527
(Increase) decrease in mortgage escrow receivable	(24)	7,638
(Increase) decrease in investments	(135,785)	-
(Increase) decrease in pledges receivable	(3,887)	-
(Increase) decrease in other assets	(6,291)	(416)
Increase (decrease) in mortgage escrow payable	(1,099)	1,561
Increase (decrease) in other liabilities	877	1,558
<b>Net cash provided by operating activities</b>	<u><b>(80,128)</b></u>	<u><b>190,558</b></u>
<b>Investing activities:</b>		
(Increase) decrease in construction in progress	(60,502)	(81,167)
Acquisition of property & equipment	(19,250)	(1,661)
Sale (acquisition) of foreclosed property	54,800	(92,270)
<b>Net cash provided by (used in) investing activities</b>	<u><b>(24,952)</b></u>	<u><b>(175,098)</b></u>
<b>Net increase in cash and cash equivalents</b>	<b>(105,080)</b>	<b>15,460</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>330,770</b></u>	<u><b>315,310</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><u><b>\$ 225,690</b></u></u>	<u><u><b>\$ 330,770</b></u></u>

See Notes to Financial Statements

**Wyoming Valley Habitat for Humanity, Inc.**  
**Statement of Functional Expenses (with comparative totals)**  
**For the Years Ended June 30, 2016 and 2015**

	2016				2015
	Program Services	General & Administrative	Fund Raising	Total	Total
Salaries & wages	\$ 77,659	\$ 12,266	\$ 6,133	\$ 96,058	\$ 92,305
Discount on mortgages issued	39,126			39,126	30,464
Insurance	8,004	3,501	1,286	12,791	18,762
Rent expense		12,600		12,600	12,600
Tithe to HFH International	8,800			8,800	13,800
Payroll taxes	7,085	1,119	560	8,764	8,728
Office expense	6,061	1,299	260	7,620	7,125
Professional fees		7,127		7,127	7,016
Fundraising costs			6,888	6,888	6,659
Depreciation	2,069	1,808		3,877	3,863
Telephone & internet	700	2,443		3,143	3,140
Postage & mailing	645			645	549
Printing & reproduction	486			486	-
Advertising	475			475	226
Licenses, permits, & fees	200	150		350	560
Vehicle expense	177			177	1,108
Moving expense				-	696
Total functional expenses	<u>\$ 151,487</u>	<u>\$ 42,313</u>	<u>\$ 15,127</u>	<u>\$ 208,927</u>	<u>\$ 207,601</u>

See Notes to Financial Statements



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Organization and Nature of Activities**

Wyoming Valley Habitat for Humanity, Inc. (WVHFH) was incorporated under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania of 1988, as amended, on June 13, 1990.

WVHFH is committed to providing affordable housing to low income families which may qualify under their program. Prospective home buyers must provide a down payment, and contribute at least 200 hours of "sweat equity" in the construction of their home. The purchase price of a home prior to June 30, 2016 was \$65,000. After June 30, 2016, the purchase price is determined by, and cannot exceed, the fair market value of the property, adjusted according to the partner family's ability to pay. Mortgages are payable over a term of between 20 and 30 years without interest, and are also determined according to the partner family's ability to pay. A second mortgage, contingent upon the sale of the home within twenty years of the original closing date, is placed on the property, and represents the difference, if any, between the appraised value of the home on the date of sale, and the selling price. It is recorded as a receivable only if the contingency occurs, upon which both the first and second mortgages must be paid to WVHFH. If the home is held for more than twenty years from the date of settlement, only the first mortgage must be repaid.

WVHFH is affiliated with, but is not controlled by Habitat for Humanity International, Inc., which is headquartered in Americus, GA. Habitat for Humanity International, Inc. conducts projects worldwide and acts as a resource center for local affiliates such as WVHFH, which pays an annual tithe to the international affiliate.

### **Basis of Presentation**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board FASB ASC 958 *Not-for-profit Entities*, which includes the former Statement of Financial Standards (SFAS) No. 117, *Financial Statements of Not-for-profit Entities*. Under FASB ASC 958, WVHFH is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets—not subject to donor-imposed restriction. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors (Board Designated).

Temporarily Restricted Net Assets—subject to donor-imposed stipulations that may be fulfilled by actions of WVHFH to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets—subject to donor-imposed stipulations that may be retained and invested permanently by WVHFH.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting**

WVHFH prepares its financial statements in accordance with U. S. generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**Reclassifications**

Certain accounts in the prior year financial statements may have been reclassified for comparative purposes to conform to the presentation of the current year statements.

**Revenue Recognition**

WVHFH derives its revenues from the following sources:

Grants and donations received from local businesses, churches, civic groups and individuals.

The operation of its "Restore", which receives donated building materials, and either uses them in the construction or renovation of residences, or sells them to the general public.

Fundraising events, sponsorship and participant fees for the annual WVHFH 30 mile bike run.

WVHFH follows the requirements of the Financial Accounting Standards Board FASB ASC 958 *Not-for-profit Entities*, which includes the former Statement of Financial Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Mortgages receivable**

The Organization assists individuals purchasing Habitat homes by issuing zero interest mortgages. The financial statements reflect mortgages receivable at the present value of future monthly payments, using an interest rate determined by Habitat for Humanity International. All mortgage loans are collateralized by the respective residential property. Management believes that the property values of each collateralized property was in excess of the respective mortgage balance as of June 30, 2016 and 2015, therefore no provision has been made for allowances on uncollectable mortgages.

**Grants and contributions**

Grants and contributions are recorded when they are unconditionally promised or when they are received, whichever occurs first. Contributions receivable or received are recorded as unrestricted or temporarily restricted, depending on any restrictions placed on the gift by the donor. Temporarily restricted assets are reclassified as unrestricted upon the satisfaction of all restrictions placed by the donor.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

WVHFH is a not-for-profit organization that is exempt from both federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

WVHFH believes that it has appropriate support for income tax positions taken, therefore, management has not identified any uncertain income tax provisions. Generally, the IRS may examine tax returns for the most recent three years. Tax returns for the years ending June 30, 2014 through June 30, 2016 remain open for examination.

## **2. CASH AND CASH EQUIVALENTS**

WVHFH maintains its cash balances in savings and checking accounts. Cash balances as of June 30, 2016 and June 30, 2015 were:

	<u>2016</u>	<u>2015</u>
Cash – savings	\$185,180	\$298,281
Cash – checking	25,510	17,489
Cash – restore	<u>15,000</u>	<u>15,000</u>
Total cash and cash equivalents	<u>\$225,690</u>	<u>\$330,770</u>

Cash held in escrow is reported in other assets. Total cash held in escrow as of June 30, 2016 and 2015 was \$11,555, and \$7,404, respectively.

## **3. MORTGAGES RECEIVABLE**

Mortgages receivable consist of 14 non-interest bearing promissory notes with an average balance of approximately \$34,187. The balances are discounted using of an imputed interest rate determined by Habitat for Humanity International. The interest rate used for mortgages closed during 2016 and 2015 was 7.48% and 7.51%, respectively. Unamortized discounts on new mortgages issued were reported in functional expenses in the amount of \$39,126 and \$30,464, and amortization of discounts on mortgages receivable of \$19,993 and \$45,637 were reported as income in the statement of activities, as of June 30, 2016 and 2015, respectively. During the current year, one new mortgage was issued in the amount of \$65,000 (\$25,874 net of unamortized discount).

During the year ending June 30, 2015, two delinquent mortgages were foreclosed upon, with proceedings initiated during the previous year. Financial Accounting Standards Board FASB ASC 820 *Fair Value*, formerly SFAS No. 157, "*Fair Value Measurements*", provides for the reporting of assets at an estimate of their fair market values. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the carrying values of the foreclosed properties held for resale were adjusted to reflect their respective market values as of June 30, 2015.

The first foreclosure had a mortgage balance of \$39,653 (\$24,834 net of unamortized discount) as of June 30, 2014. During the year ending June 30, 2015, legal and repair costs were incurred in the amount of \$11,909, which increased the basis of the property to \$51,562, and after several months of the property being listed, the selling price was reduced to \$39,900 with an adjustment to market value of \$11,662.



### 3. MORTGAGES RECEIVABLE (continued)

The second foreclosure had a mortgage balance of \$32,821 (\$20,207 net of unamortized discount) as of June 30, 2014. The property was vandalized and items were removed which significantly reduced its market value. Additional legal and cleaning costs of \$7,887 were incurred during the year ending June 30, 2015, which increased the basis of the property to \$40,708. The property was sold during the current year, prior to the date of the June 30, 2015 audit report, for \$14,900. Accordingly, the impairment of value of \$25,808 was recorded in the prior year. \$27,433 of unamortized discount for both foreclosed properties was included in the prior year amortization of mortgage discount of \$45,637.

As of June 30, 2016, there was one significantly delinquent mortgage with a balance of \$25,813 (\$17,858 net of unamortized discount). During the current year, an agreement was reached providing for monthly payments to bring the mortgage and escrow balances current. In accordance with FASB ASC 310-30 *Accounting for Loans with Deteriorated Credit Quality*, formerly SFAS No. 114 *Accounting by Creditors for Impairment of a Loan*, loan impairment is measured by the excess of the loan amount over the fair value of collateral. In the event of foreclosure, management expects that the entire loan balance would be recovered upon the sale of the property, therefore no provision has been made to record the loan impairment.

Balances of mortgages receivable as of June 30, 2016 and 2015 were:

	<u>2016</u>	<u>2015</u>
Mortgages receivable	\$ 478,621	\$ 443,091
Unamortized discount to net present value	<u>(199,418)</u>	<u>(180,287)</u>
Mortgages receivable – net of unamortized discount	<u>\$ 279,203</u>	<u>\$ 262,804</u>

Future payments expected on all mortgages as of June 30, 2016 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 18,560	\$ 20,786	\$ 39,346
2018	14,865	19,634	34,499
2019	16,079	18,420	34,499
2020	15,637	17,165	32,802
2021	16,745	15,903	32,648
Thereafter	<u>197,317</u>	<u>107,510</u>	<u>304,827</u>
Total	<u>\$ 279,203</u>	<u>\$ 199,418</u>	<u>\$ 478,621</u>

#### 4. PROPERTY AND EQUIPMENT

Wyoming Valley Habitat for Humanity depreciates non-project related expenses over \$500, using straight line depreciation over ten years for vehicles, and five years for furniture and equipment. Small tools are expensed in the year of purchase. Property and equipment, net of depreciation, as of June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Vehicles and equipment	\$ 60,754	\$ 41,504
Less accumulated depreciation	<u>(28,778)</u>	<u>(23,247)</u>
Property and equipment, net	<u>\$ 31,976</u>	<u>\$ 18,257</u>

During the current year, a new truck with a cost of \$19,250 was purchased for re-store operations, and a fully depreciated truck was sold for \$2,700. Depreciation expense for the years ended June 30, 2016 and 2015 was \$5,531 and \$4,073 (including \$1,654 and \$210 in re-store expenses), respectively.

#### 5. INVESTMENTS

Investments held as of June 30, 2016 represent a certificate of deposit issued on October 20, 2015 in the amount of \$135,000, at an interest rate of 1.16% compounded quarterly, with a maturity date of March 20, 2017. Accrued interest receivable on the instrument was \$785 as of June 30, 2016.

#### 6. GRANTS AND CONTRIBUTIONS

WVHFH received the following grants and contributions during the year ending June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>Unrestricted:</u>		
Corporations, governmental and foundations	\$ 48,566	\$ 90,917
Individuals	7,634	70,883
Churches	1,288	1,692
Total unrestricted grants and contributions	<u>57,488</u>	<u>163,492</u>
<u>Temporarily restricted:</u>		
Corporations, governmental and foundations	<u>206,304</u>	<u>58,500</u>
Total grants and contributions	<u>\$ 263,792</u>	<u>\$ 221,992</u>



## **6. GRANTS AND CONTRIBUTIONS (continued)**

During the current year, temporarily restricted grants totaling \$54,000 were received for the purpose of completing the Barnes St., Ashley project, and a home located on New St., Larksville was constructed by a local developer and subsequently donated to WVHFH, along with additional contributions for closing costs and expenses. The home was determined, through a comparative market analysis, to have a market value of \$145,500.

During the prior year, temporarily restricted grants totaling \$58,500 were received for the purpose of completing the Green Street, Edwardsville project. Donated property representing land and existing structures in the amount of \$60,423 and \$44,317, for the Espy St. and Barnes St. projects, were included in individual contributions and corporate and foundation contributions, respectively.

As of June 30, 2016 and 2015, all restricted funds were used in accordance with any restrictions provided for by the donors.

## **7. DONATED SERVICES**

WVHFH receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. The criteria for recognition of these services under SFAS 116 *Accounting for Contributions Made and Contributions Received* have not been met. Accordingly, amounts for donated services have not been reported in the statement of activities for the years ending June 30, 2016 and 2015.

## **8. CONSTRUCTION IN PROGRESS**

Construction in progress as of June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Barnes St., Ashley	\$ 106,389	\$ 48,715
Espy St., Wilkes Barre	<u>68,304</u>	<u>65,476</u>
Total construction in progress	\$ <u>174,693</u>	\$ <u>114,191</u>

The Barnes St. project closed subsequent to the end of the current year, with a sales price of \$65,000. The Espy St. project was in progress as of the date of these financial statements.

## 9. ESCROW ACCOUNTS

WVHFH collects funds from partner families for insurance and property taxes which are held in escrow. Funds held in excess of actual expenditures are recorded as a liability, and funds which are deficient of actual expenses are recorded as a receivable. Escrow funds payable were \$8,582 and \$9,681, and escrow funds receivable were \$4,197 and \$4,173 as of June 30, 2016 and 2015, respectively.

## 10. FUNDRAISING EVENTS

During the current year, WVHFH held its eighth annual 30 mile bike run, which was partly cancelled due to weather conditions. Sponsorship donations range from \$500 to \$2,500. For the years June 30, 2016 and 2015, total income from sponsorship, entry fees and donations was \$26,617 and \$28,857, and total expenses (included in total fundraising expenses), comprised of printing, insurance, t-shirts, and traffic control, was \$4,524 and \$4,396, resulting in a net profit of \$22,093 and \$24,461, respectively.

## 11. RE-STORE

WVHFH operates a retail thrift store in Nanticoke, Pa. Building materials are donated to the store and are either used in construction projects or are sold to the general public. WVHFH does not inventory or recognize income related to the contribution of donated materials, considering the difficulty in determining the value of the donated items. Instead, income is recognized at the time of sale, at the sales price of the merchandise. Sales proceeds are used for costs of building projects and for general expenses.

Total sales and expenses for the Re-store for the years ending June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Sales	\$ 218,057	\$ 209,627
Salaries and wages	63,478	63,990
Rent	28,800	28,800
Purchases	11,490	14,416
Utilities	5,877	6,426
Payroll taxes	5,791	6,050
Insurance	5,431	-
Bank and credit card charges	5,255	4,280
Vehicle expense	2,994	3,555
Building maintenance	2,628	3,452
Supplies	2,153	1,926
Depreciation	1,654	210
Telephone and internet	1,173	1,345
Advertising	60	-
Total expenses	<u>136,784</u>	<u>134,450</u>
Net income	<u>\$ 81,273</u>	<u>\$ 75,177</u>



## **12. GAIN (LOSS) ON SALE OF PROPERTY**

During the current year, the New St. property was sold to a partner family for \$65,000. This project was completed in its entirety by a local developer as a donation to WVHFH. The fair market value of the completed home, based on a market analysis, was determined to be \$145,500. The donor also contributed towards the closing costs and other expenses of \$8,992. After recognizing the market value of the completed project as both a donation and project cost, the realized loss on the sale was \$89,492.

As described in Note 3, two foreclosed properties were sold at losses of \$3,091 and \$16,541. During the year ending June 30, 2015, both properties were adjusted to their combined estimated realizable values of \$54,800, and during the current year both were sold for a total of \$46,900. Total settlement charges and other expenses incurred during the current year were \$11,732.

During the prior year, the Green St. property was sold to a partner family for \$65,000. Total costs of the project and closing costs were \$78,183, resulting in a loss of \$13,183.

Total losses on property transactions, including residual costs incurred on previously completed projects, were \$110,114 and \$13,393 for the years ending June 30, 2016 and 2015 respectively.

## **13. LEASES**

WVHFH leases approximately 1,000 square feet of office space in Kingston Pennsylvania. The original lease provided for twenty four monthly payments of \$1,050 beginning June 1, 2014, with 2.5% increase in minimum rentals for each year which the lease is in effect, and an automatic renewal provision for two year terms. The monthly minimum lease payment was not increased as provided for in the lease. Office rent expense was \$12,600 for the years ending June 30, 2016 and 2015.

The organization rents a retail location for the Re-store, which sells donated building materials. The store is rented on a month to month basis at \$2,400 per month. Re-store rent expense was \$28,800 for the years ending June 30, 2016 and 2015.

## **14. RESTRICTED NET ASSETS**

Net assets of \$860,643 and \$783,694 were entirely unrestricted as of June 30, 2016 and 2015, respectively. All restrictions were met at the end of each year on temporarily restricted grants and donations.

**15. CONCENTRATIONS**

As of June 30, 2016, the total balance of cash accounts in each financial institution was less than the FDIC insurable limit of \$250,000. Balances are not regularly maintained at levels exceeding the FDIC limit. Management does not consider credit risk on deposits to be significant.

**16. SUBSEQUENT EVENTS**

The management of WVHFH has evaluated all activity through November 25, 2016, the issue date of the financial statements and report of independent auditors, and has concluded that subsequent events are properly reflected in the financial statements and notes as required by Financial Accounting Standards Board FASB 855 *Subsequent Events*, formerly Statement of Financial Accounting Standards (SFAS) No. 165.