HABITAT FOR HUMANITY OF OMAHA, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2017)

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Omaha, Inc.
Omaha, Nebraska

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Omaha, Inc. (the Organization), a Nebraska non-profit corporation, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

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INDEPENDENT AUDITORS' REPORT (Continued)

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 December 31, 2018, 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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Bland + Associates, P.C.

Omaha, Nebraska
April 29, 2019

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HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2017)

	December 31,	
ASSETS	**2018**	**2017**
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,694,811	$ 4,412,578
Restricted Cash	449,596	1,283,417
Investments	2,660,876	2,751,417
Investments - Other	2,030,414	-
Current Portion of Unconditional Promises to Give	1,649,850	1,751,294
Current Portion of Mortgage Loans	574,872	540,552
Current Portion of Home Repair Loans	157,788	150,132
Other Receivables	594,883	352,209
Prepaid Expenses	41,919	21,124
Materials Inventory	131,751	190,902
Total Current Assets	11,986,760	11,453,625
PROPERTY AND EQUIPMENT		
Land	570,700	570,700
Buildings	5,284,828	5,244,759
Equipment and Furniture	822,809	826,608
Vehicles	263,807	251,407
	6,942,144	6,893,474
Less Accumulated Depreciation	(1,854,068)	(1,597,335)
Total Property and Equipment	5,088,076	5,296,139
OTHER ASSETS		
Unconditional Promises to Give, Less Current Portion	408,800	775,100
Other Receivables	356,895	-
Note Receivable - Building	-	154,967
Construction in Progress	5,150,608	5,889,326
Mortgage Loans, Less Current Portion	4,607,815	4,447,297
Home Repair Loans, Less Current Portion and Allowance for Doubtful Accounts of $50,000 and $40,000, Respectively	284,459	325,301
Investments in Joint Ventures	6,036,337	6,014,681
Note Receivable from Joint Venture	5,096,045	5,096,045
Total Other Assets	21,940,959	22,702,717
	$ 39,015,795	**$ 39,452,481**

	December 31,	
LIABILITIES AND NET ASSETS	**2018**	**2017**
CURRENT LIABILITIES		
Accounts Payable	$ 584,348	$ 382,333
Accrued Expenses	279,547	531,520
Accrued Payroll and Compensated Absences	604,489	568,964
Current Portion of Long-Term Debt	152,623	129,137
Total Current Liabilities	1,621,007	1,611,954
LONG-TERM LIABILITIES		
Long-Term Debt		
Principal Amount	15,194,973	15,017,237
Less Debt Issuance Costs	(422,531)	(473,676)
Total Long-Term Liabilities, Net of Current Portion and Debt Issuance Costs	14,772,442	14,543,561
Total Liabilities	16,393,449	16,155,515
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without Donor Restrictions		
Undesignated	15,105,311	16,284,817
Board Designated Funds Functioning as an Endowment	-	17,468
Board Designated for Operating Reserve	2,153,927	2,223,674
Total Without Donor Restrictions	17,259,238	18,525,959
With Donor Restrictions		
Purpose Restrictions	4,597,308	4,224,607
Time Restricted for Future Periods	765,800	546,400
Total With Donor Restrictions	5,363,108	4,771,007
Total Net Assets	22,622,346	23,296,966
	$ 39,015,795	**$ 39,452,481**

The accompanying notes to consolidated financial statements
are an integral part of these statements

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)

	Years Ended December 31,			
	2018			2017
	Without Donor/Grantor Restrictions	With Donor/Grantor Restrictions	Total	Total
OPERATING REVENUES AND SUPPORT				
Sales to Homeowners	$ 5,647,994	$ -	$ 5,647,994	$ 5,022,711
Contributions	2,467,761	2,305,551	4,773,312	6,277,853
Grants	2,166,643	150,000	2,316,643	2,643,050
ReStore Sales	2,241,040	-	2,241,040	1,951,448
In-Kind Contributions	1,193,412	-	1,193,412	1,180,805
Event Income	533,528	-	533,528	449,615
Loan Discount Interest Income - Homeowner Sales	401,573	-	401,573	639,670
Revenue from Homeowners - Home Repair	340,361	-	340,361	184,990
Discount Recovery on Sale of Mortgage Loans	225,437	-	225,437	1,344,739
Other Revenue	82,776	-	82,776	55,067
Income from Joint Ventures	80,662	-	80,662	52,356
Loan Discount Interest Income - Home Repair	56,225	-	56,225	36,483
Investment Income	44,477	-	44,477	254,639
Gain (Loss) on Sale of Land, Property and Equipment	15,927	-	15,927	(76,513)
Income from Debt Extinguishment	-	-	-	497,782
Satisfaction of Donor Restrictions	1,863,450	(1,863,450)	-	-
Total Operating Revenues and Support	17,361,266	592,101	17,953,367	20,514,695
OPERATING EXPENSES				
Program Services	16,691,333	-	16,691,333	16,893,715
Management and General	1,116,684	-	1,116,684	1,086,299
Fundraising	819,970	-	819,970	884,528
Total Operating Expenses	18,627,987	-	18,627,987	18,864,542
CHANGES IN NET ASSETS	(1,266,721)	592,101	(674,620)	1,650,153
NET ASSETS - BEGINNING OF YEAR	18,525,959	4,771,007	23,296,966	21,646,813
NET ASSETS - END OF YEAR	**$ 17,259,238**	**$ 5,363,108**	**$ 22,622,346**	**$ 23,296,966**

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017)

	Program Services					Supporting Services			Totals	
	Construction	Home Repair	ReStore	Discounts on Mortgage Originations	Total Program Services	Management and General	Fundraising and Developmental	Total Supporting Services	2018	2017
Cost of Homes Sold	$ 7,654,963	$ -	$ -	$ -	$ 7,654,963	$ -	$ -	$ -	$ 7,654,963	$ 6,692,316
Salaries and Benefits	2,447,259	170,603	1,171,861	-	3,789,723	774,096	634,427	1,408,523	5,198,246	4,761,971
Building Costs and Call Backs	116,838	853,519	-	-	970,357	-	-	-	970,357	674,106
Mortgage Discounts	-	-	-	926,232	926,232	-	-	-	926,232	2,920,314
Demolition and Deconstruction Accomplished	467,817	-	265,638	-	733,455	-	-	-	733,455	752,381
Depreciation and Amortization	135,092	-	165,830	-	300,922	61,654	-	61,654	362,576	345,978
Information Technology	125,468	4,898	43,173	-	173,539	42,406	18,465	60,871	234,410	227,608
Interest	208,039	-	-	-	208,039	8,466	-	8,466	216,505	262,709
Professional Fees	68,188	3,197	28,924	-	100,309	91,391	22,159	113,550	213,859	194,313
Supplies	69,314	5,736	103,567	-	178,617	24,071	9,884	33,955	212,572	175,489
Occupancy	76,287	3,772	107,018	-	187,077	10,372	8,486	18,858	205,935	177,119
Merchandise Costs	-	-	203,880	-	203,880	-	-	-	203,880	127,533
Publicity	38,726	-	89,093	-	127,819	-	73,393	73,393	201,212	156,755
Tithe to Habitat for Humanity International	151,830	-	-	-	151,830	-	-	-	151,830	141,523
Vehicle Expense	90,579	749	48,846	-	140,174	2,494	5,159	7,653	147,827	164,824
Training and Travel	46,201	12,136	14,634	-	72,971	59,838	14,618	74,456	147,427	116,963
Miscellaneous	39,374	4,244	67,005	-	110,623	9,122	11,492	20,614	131,237	156,359
Mortgage Discounts - Roof and Repair	-	-	-	83,625	83,625	-	-	-	83,625	48,407
Family Partners and Public Education	69,438	-	59	-	69,497	-	2,965	2,965	72,462	51,106
Bad Debt Expense	-	62,499	-	-	62,499	-	-	-	62,499	173,298
Insurance and Taxes	35,030	-	15,012	-	50,042	6,732	-	6,732	56,774	52,564
Maintenance and Small Equipment	54,570	-	601	-	55,171	1,070	-	1,070	56,241	55,979
Telephone	16,927	2,449	15,185	-	34,561	17,469	3,800	21,269	55,830	54,492
International Build	52,472	-	-	-	52,472	-	-	-	52,472	100,516
Printing and Postage	13,376	1,798	2,369	-	17,543	903	13,957	14,860	32,403	47,785
VISTA/Americorps	4,400	-	8,800	-	13,200	6,600	-	6,600	19,800	67,600
	11,982,188	1,125,600	2,351,495	1,009,857	16,469,140	1,116,684	818,805	1,935,489	18,404,629	18,700,008
In-Kind Expense	148,791	54,170	19,232	-	222,193	-	1,165	1,165	223,358	164,534
TOTAL FUNCTIONAL EXPENSES	**$ 12,130,979**	**$ 1,179,770**	**$ 2,370,727**	**$ 1,009,857**	**$ 16,691,333**	**$ 1,116,684**	**$ 819,970**	**$ 1,936,654**	**$ 18,627,987**	**$ 18,864,542**

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2017)

	Years Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ (674,620)	$ 1,650,153
Adjustments to Reconcile Changes in Net Assets to Net Cash Used In Operating Activities:		
Sales to and Revenues from Homeowners	(1,064,465)	(3,147,412)
Loan Discount Interest Income - Homeowner Sales	(401,574)	(639,670)
Loan Discount Interest Income - Home Repair	(56,225)	(36,483)
Realized Gain on Investments	(44,434)	(11,082)
Unrealized Loss (Gain) on Investments	159,031	(124,891)
Income From Joint Ventures	(80,662)	(52,356)
Decrease in Construction in Progress	858,749	636,734
(Gain) Loss on Sale of Land, Property and Equipment	(15,927)	76,513
Depreciation and Amortization	362,576	345,978
Increase in Allowance for Doubtful Accounts	10,000	10,000
Imputed Interest on Debt Issuance Costs	51,145	92,692
Income from Debt Extinguishment	-	(497,782)
(Increase) Decrease in Assets:		
Unconditional Promises to Give	467,744	(612,288)
Other Receivables	(444,602)	(158,519)
Prepaid Expenses	(20,795)	30,183
Materials Inventory	59,151	(20,064)
Increase (Decrease) in Liabilities:		
Accounts Payable	202,015	79,720
Accrued Expenses	(251,973)	366,930
Accrued Payroll and Compensated Absences	35,525	46,965
Net Cash Used In Operating Activities	(849,341)	(1,964,679)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in Cash Restricted for Joint Venture	1,046,599	(1,104,616)
Increase in Cash Restricted for Omaha 100 Reserve	(212,778)	-
Proceeds from Sale of Investments	589,671	985,031
Purchase of Investments	(613,727)	(1,034,290)
Purchase of Investments - Other	(2,030,414)	-
Purchase of Property and Equipment	(154,513)	(186,618)
Mortgage Loans Sold	276,630	1,857,459
Home Repair Loans Sold	130,964	49,118
Mortgage Loans Payments Received	599,250	615,913
Home Repair Loans Payments Received	239,664	146,040
Investments in Joint Ventures	-	(2,980,055)
Cash Payments Received From Joint Ventures	59,006	57,568
Net Cash Used In Investing Activities	(69,648)	(1,594,450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Loan Costs and Structuring Fees	-	(236,847)
Proceeds from Issuance of Long-Term Debt	643,007	4,456,976
Payments on Long-Term Debt	(441,785)	(120,157)
Net Cash Provided By Financing Activities	201,222	4,099,972
Net (Decrease) Increase in Cash and Cash Equivalents	(717,767)	540,843
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,412,578	3,871,735
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 3,694,811**	**$ 4,412,578**
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Issuance of Mortgage Loans	$ 1,848,885	$ 4,771,394
Discount on Mortgage Loans	(784,420)	(1,623,982)
Transfers to Homeowners Subject to Non-Interest Bearing Mortgage Loans	$ 1,064,465	$ 3,147,412
Real Property Received for Outstanding Mortgages	$ 104,104	$ 625,772
Interest Paid	$ 165,361	$ 170,016
Investment in Joint Venture Effectively Exchanged in NMTC Dissolution Transaction	$ -	$ 2,803,688
Long-Term Debt Effectively Exchanged in NMTC Dissolution Transaction	$ -	$ 3,301,470

The accompanying notes to consolidated financial statements
are an integral part of these statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity of Omaha, Inc., HFHO Real Estate Holdings, Inc., and 1701, LLC (the Organization) is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management who are responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the consolidated financial statements.

Reporting Entity

Habitat for Humanity of Omaha, Inc. (Habitat), a Nebraska non-profit company incorporated on January 1, 1984, is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Habitat International was organized for the purpose of creating decent, affordable housing with those in need and to make decent shelter a matter of conscience for all. 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.

1701, LLC, a wholly-owned subsidiary of Habitat, was incorporated on December 20, 2012. 1701, LLC was organized to purchase the main warehouse and office facilities and aid Habitat in completing Tax Increment Financing arrangements.

HFHO Real Estate Holdings, Inc. (HFHO RE), a Nebraska non-profit corporation, was incorporated on June 27, 2013. HFHO RE was organized to acquire and operate certain assets previously owned by Habitat, for the purpose of qualifying for the benefits of the New Market Tax Credit (NMTC) transaction that occurred in 2013 (See Notes G and H). As part of the 2013 NMTC transaction, HFHO RE purchased Habitat's ReStore retail stores and Habitat's main warehouse and office facilities which are being leased back to Habitat.

These entities whose financial statements are included in the consolidated financial statements are collectively referred to as the Organization.

Operations

Habitat builds and sells new and remodeled homes. The sales prices are based on appraised values which are typically at or below the total cost of construction. Prior to 2018, home sales were done in exchange for non-interest bearing mortgage loans provided by Habitat to the homeowner. Starting in 2018, while some mortgage loans were still provided by Habitat, most mortgage loans related to sales of new and remodeled homes are being made by a third-party community lending organization and include below-market interest rates. Certain home sales are also partially funded by grants and/or donations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operations (Continued)

Habitat also facilitates certain home repair and improvement projects. These projects are typically completed at either third-party cost or with Habitat resources at a cost estimated to approximate third-party cost. The projects are done in exchange for non-interest bearing mortgage loans provided by Habitat to the homeowner. Certain repair/improvement projects are also partially funded by grants and/or donations.

Habitat also raises and spends funds for acquiring land and blighted structures which are demolished. Such land may be used for future construction or sold to outside parties for redevelopment. Finally, HFHO RE operates two retail stores (ReStores) designed to provide for resale of primarily used home and office materials – keeping such materials out of landfills and providing low-cost construction materials to the general public.

Basis of Presentation

The Organization is required to provide consolidated financial statements which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

The Organization maintains its accounts on the accrual basis of accounting.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor/grantor restriction – Net assets which are not subject to any donor/grantor-imposed restrictions. Income that is limited to specific uses by donor/grantor restrictions is reported as increases in net assets without donor/grantor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Net assets with donor/grantor restrictions – Net assets subject to donor/grantor-imposed restrictions that may or will be met by actions of the Organization for a specific purpose and/or the passage of time.

Revenues are reported as increases in net assets without donor/grantor restrictions unless use of the related assets is limited by donor/grantor-imposed restrictions. Expenses are reported as decreases in net assets without donor/grantor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor/grantor restrictions unless their use is restricted by explicit donor/grantor stipulation or by law. Expiration of donor/grantor imposed restrictions on net assets, i.e. the

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

donor/grantor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Principles of Consolidation

The consolidated financial statements include the accounts of Habitat for Humanity of Omaha, Inc., its affiliate, HFHO Real Estate Holdings, Inc. and its wholly-owned subsidiary, 1701, LLC. Intercompany transactions and accounts have been eliminated in the accompanying consolidated financial statements.

Measure of Operations

In the consolidated statements of activities and changes in net assets, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, are recognized as operating support, revenues, gains, and losses.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor/grantor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents for purposes of the consolidated statements of cash flows. Certain cash amounts are required to be kept in separate bank accounts.

Restricted Cash

The Organization has classified certain cash that is restricted for specific purposes as restricted cash. At December 31, 2018 and 2017, the Organization has restricted $449,596 and $1,283,417 for joint venture and other reserve commitments, respectively. Certain joint venture agreements require the Organization to keep cash in separate accounts.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Management reports promises to give net of allowance for uncollectible promises in its consolidated financial statements. The Organization considers promises to give to be 100% collectible; therefore, no allowance for uncollectible amounts has been established.

Materials Inventory

Materials inventory is recorded using the average cost method, which is not an acceptable method in accordance with accounting principles generally accepted in the United States of America. Management estimates that this does not have a material impact to the consolidated financial statements.

Investments and Investments in Joint Ventures

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Any unrealized gains and losses are reported in the consolidated statements of activities and changes in net assets as a change in net assets without donor/grantor restrictions.

Investments in joint ventures such as partnerships that are not consolidated, but over which the Organization exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Organization exercises significant influence with respect to a specified investment depends on an evaluation of several factors including, among others, representation on the joint venture partnership's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the respective partnership.

If the Organization's carrying value in an equity method investment is reduced to zero, subsequent losses are not recorded in the Organization's consolidated financial statements unless the Organization guaranteed obligations of the joint venture partnership or has committed additional funding. If the joint venture partnership subsequently reports income, the Organization will not record its share of such income until it equals the amount of its share of losses not previously recognized.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments – Other

Certificates of deposit with maturities greater than three months, are recorded at cost plus accrued interest, which approximates fair value and are included as "Investments – Other" on the consolidated statements of financial position.

Other Receivables

Trade and other receivables are recorded at net realizable value. The Organization uses the allowance method to determine uncollectible receivables. As of December 31, 2018 and 2017, all receivables are considered fully collectible.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Depreciation is computed using the straight-line method over the following useful lives:

	Years
Buildings	5-40
Equipment and Furniture	3-15
Vehicles	5-10

Construction in Progress

The Organization carries the cost incurred in conjunction with home construction in construction in progress until sold to homeowners. Construction in progress consists of in-kind donations and the direct costs of acquiring land and property, holding costs, and construction and rehabilitation costs. When the corresponding homes are completed and transferred to homeowners, these costs are expensed.

Loans and Discount

Home improvement/repair and mortgage loans made by the Organization are primarily non-interest bearing and are payable in monthly installments over the life of the loan. All mortgage loans and most home improvement/repair loans are secured by real estate. Management determines the allowance for doubtful accounts by regularly evaluating the home improvement/repair and mortgage loan listing and considering prior years' experience and analysis of specific promises made. As of December 31, 2018 and 2017, the allowance for the

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and Discount (Continued)

home improvement/repair loan receivables was $50,000 and $40,000, respectively. The Organization considers all mortgage loans to be 100% collectible; therefore, no allowance for uncollectible accounts has been established.

Non-interest bearing loans have been discounted at 7.57% during 2018, 7.47% during 2017, and at various rates ranging from 6.0% to 9.0% in prior years based upon prevailing market rates for low income housing at the inception of the loan. Utilizing a straight-line basis, this discount is amortized over the term of the loan.

From time to time the Organization will sell mortgages to financial institutions. If the loan is sold, the unamortized balance of the loan discount recorded at the inception of the loan is recorded as income in the consolidated financial statements as discount recovery on the sale of mortgage loans. The Organization retains full recourse on these mortgages and continues to service and guarantee the mortgages. The Organization retains the right to substitute similar mortgages in case of default by the homeowners to pay the mortgage.

In addition, starting in 2018, most mortgage loans related to sales of new and remodeled homes are being made by a third-party community lending organization and include below-market interest rates. Such loans are also subject to full recourse with the Organization guaranteeing the loans. At December 31, 2018 the amount of loans subject to the Organization’s guarantee still outstanding was approximately $20.4 million.

Compensated Absences

Employees of the Organization are entitled to certain amounts of paid personal time off. In the event of termination, an employee is reimbursed for accumulated unused paid time off.

Contingent Equity and Sales to Homeowners

Habitat International requires a $500 cash down payment (contingent equity) that is applied towards the purchase of the home at the time that the purchase contract is signed.

Sales to homeowners are recorded at the gross mortgage amount plus contingent equity payments received.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Reclassifications

Support is provided in the form of federal and state grants and grants from non-governmental entities. All support and revenues are considered net assets without donor/grantor restrictions unless stipulated by the grantor.

Contributions are recognized when the donor/grantor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received with donor/grantor restrictions that are met in the same reporting period are reported as revenue and an increase net assets without donor/grantor restrictions. All other donor/grantor-restricted contributions are reported as increases in net assets with donor/grantor restrictions. Third-party reimbursement contracts (grant reimbursements) are recognized as revenue upon submission of the reimbursement request. Net assets are released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donor/grantors. When the net assets are released, such net assets are reclassified within the applicable classes of net assets.

In-Kind Contributions and Donated Services

Contributions of gifts in-kind that can be used by the Organization are recorded at estimated fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

A substantial number of volunteers have made significant contributions of their time to the Organization’s program and supporting services, which do not meet the above criteria. The value of this contributed time is not reflected in these consolidated financial statements since there is not an objective measure or valuation of these services.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, certain expenses required allocation on a reasonable basis that is consistently applied. Material expenses that are allocated include certain depreciation, which is allocated on a square foot basis, as well as certain occupancy, professional services, office/warehouse and information technology costs which are allocated based on headcount, and certain management salaries and wages and benefits which are allocated based on estimates of time and effort.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Services

Program services include construction, home repairs, the Organization's ReStore operations, the discount on mortgage originations, support of families, and education of the general public. Program services also include the cost of homes sold to homeowners.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense was $201,212 and $156,755 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes

Habitat and HFHO RE have received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and are not classified as private foundations. As such, no provision for income taxes is reflected in the consolidated financial statements. 1701, LLC is a disregarded entity for income tax purposes, so it is considered a part of the Organization's tax exemption.

The Organization files two Form 990's, *Return of Organization Exempt from Income Tax*. The Organization's returns are subject to review and examination by federal authorities. As of December 31, 2018, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Tax years subsequent to 2015 remain subject to examination by major tax jurisdictions.

The Organization has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

Subsequent Events

Management has evaluated subsequent events through April 29, 2019, which is the date the consolidated financial statements were available to be issued.

Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve financial reporting relating to liquidity, financial performance and cash flows. Specifically, the changes affect net asset classification by reflecting two classifications of net assets, one “without donor restrictions” and one “with donor restrictions”, which differs from the traditional classifications of unrestricted, temporarily restricted and permanently restricted. In addition, the ASU provides for two measures of operating activities in the statement of activities, separating before and after internal transfers as well as presenting expense information by function, and nature, including enhanced disclosures (all of which was already being done by the Organization). Also, investment returns must be reflected net of related investment expenses and there are further disclosures regarding the Organization’s liquidity. As a result of the retroactive application of the standard, the statements of financial position and statements of activities have been revised to reflect the new guidance. The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 18,525,959	$ -
Temporarily restricted net assets	4,771,007	-
Net assets without donor restrictions	-	18,525,959
Net assets with donor restrictions	-	4,771,007

NOTE B – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash, investments, receivables, and unconditional promises to give. The Organization maintains cash balances in financial institutions in which balances sometimes exceed the federally insured limits.

NOTE C – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows at December 31,:

	2018	2017
Corporate and Foundation	$ 1,836,100	$ 2,394,587
Other Donations	222,550	131,807
Total Unconditional Promises to Give	$ 2,058,650	$ 2,526,394

NOTE C – UNCONDITIONAL PROMISES TO GIVE (Continued)

The maturities of unconditional promises to give at December 31, 2018 are as follows:

Receivable in Less than One Year	$	1,649,850
Receivable in One to Five Years		408,800
Total Unconditional Promises to Give	$	2,058,650

NOTE D – INVESTMENTS

The Organization's investments at December 31, 2018 consist of the following:

	Carrying Value
Cash Equivalents	$ 619,791
U.S. Treasury and Corporate Notes	1,294,868
Equity Mutual Funds	746,217
	$ 2,660,876

The Organization's investments at December 31, 2017 consist of the following:

	Carrying Value
Cash Equivalents	$ 593,983
U.S. Treasury and Corporate Notes	1,256,473
Equity Mutual Funds	883,493
Beneficial Interest in Net Assets Held by Omaha Community Foundation	17,468
	$ 2,751,417

In connection with the sale of certain loans, the Organization has granted security interest rights in a portion of its investment portfolio to another party. Such rights restrict the ability of the Organization to use such funds unless and until the associated loans are repaid. The amount subject to these rights was approximately $500,000 of investments as of December 31, 2018 and 2017, respectively.

NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, 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 measurement) 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;

    - 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's 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Common stocks, equity mutual funds, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018 and 2017.

Assets at Fair Value as of December 31, 2018

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	$ 619,791	$ -	$ -	$ 619,791
U.S. Treasury and Corporate Notes	1,294,868	-	-	1,294,868
Equity Mutual Funds	746,217	-	-	746,217
Total Assets at Fair Value	$ 2,660,876	$ -	$ -	$ 2,660,876

Assets at Fair Value as of December 31, 2017

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	$ 593,983	$ -	$ -	$ 593,983
U.S. Treasury and Corporate Notes	1,256,473	-	-	1,256,473
Equity Mutual Funds	883,493	-	-	883,493
Beneficial Interest in Net Assets Held by Omaha Community Foundation	-	-	17,468	17,468
Total Assets at Fair Value	$ 2,733,949	$ -	$ 17,468	$ 2,751,417

There were no transfers in and out of Levels 1, 2, and 3 in years 2018 and 2017.

The Organization uses the following methods and significant assumptions to estimate fair value:

Investments: The fair value of investments is determined by obtaining quoted market prices on nationally recognized securities exchanges.

NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Beneficial interest in net assets held by the Omaha Community Foundation: The fair value of the beneficial interests is determined based on the investments in the underlying portfolio. The fair value of the investments in the underlying portfolio is determined by the Omaha Community Foundation based on quoted market prices from nationally recognized securities exchanges.

The assets held by Omaha Community Foundation are measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The beneficial interest in net assets held by the Omaha Community Foundation as of December 31, 2017 is included in Note F.

NOTE F – ENDOWMENTS

The Organization's endowment consists of a designated endowment managed by the Omaha Community Foundation (OCF). As required by U.S. GAAP, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of restrictions.

Changes in Endowment Net Assets Without Donor Restrictions for the years ended December 31 are as follows:

	2018	2017
Endowment Net Assets, January 1	$ 17,468	$ 15,629
Total Gains or Losses (realized/unrealized)	(441)	1,791
Interest and Dividends	168	348
Contributions and Distributions, Net	(17,195)	(300)
Endowment Net Assets, December 31	$ -	$ 17,468

In 2018, the Organization directed its endowment to be distributed into a separate program administered by OCF. That program involves funds provided to a special purpose vehicle (SPV) for donor-advised funds established by OCF. The purpose of this SPV is to provide 0% interest loans to the Organization to support its operations. Such loans are further described in Note K.

Certain amounts of the funds placed in the OCF program by donors, including the amounts previously invested in the Organization's Endowment fund, are also recorded as assets of the Organization because the donor has relinquished its donor-advisory powers to the Organization, making it virtually certain that the Organization will be the ultimate beneficiary of the funds. Such funds of $356,895 are included in Other Assets as Other Receivables on the Statement of Financial Position at December 31, 2018.

Investment expenses for the now-closed endowment were $300 for both of the years ended December 31, 2018 and 2017.

NOTE G – NEW MARKET TAX CREDITS AND ASSOCIATED JOINT VENTURES

The Organization has participated in five New Market Tax Credit (NMTC) transactions. These transactions provide funds to eligible organizations for making qualified low-income community investments. Such funds are the result of outside investors who effectively purchase the tax credits associated with the Organization's community investment.

Transaction requirements for the Organization include the creation of a promissory note (see Note K) and an associated investment in, or associated loan made to, a qualified community development entity through a joint venture. The tax credits produced by the transactions are subject to recapture if compliance requirements are not met over a seven year period.

In connection with these NMTC transactions, the Organization recorded:

- an investment of $2,514,254 for its 22.58% ownership of the first joint venture in 2010 (which was unwound in 2017 as more fully described later in this footnote),
- an investment of $1,448,867 for its 9.99% ownership of a 2nd joint venture in 2012,
- a note receivable of $5,096,045 from a 3rd joint venture in 2013 (see Note H),
- an investment of $1,471,654 for its 9.54% ownership of a 4th joint venture in 2015, and
- an investment of $2,980,055 for its 13.79% ownership of a 5th joint venture in 2017.

After investment earnings and distributions, the investments in joint venture balance totaled $6,036,337 and $6,014,681 as of December 31, 2018 and 2017, respectively.

As expected, in July 2017 the 2010 NMTC transaction was unwound without material cash flows, as originally structured. The result of that unwind is that the Organization's investment in the first joint venture was effectively exchanged for the related promissory note (See Note K). That exchange resulted in a gain on extinguishment of debt of $497,782 which is recognized in the consolidated statements of activities as income from debt extinguishment. The gain on extinguishment of debt effectively represents the net cash benefit to the Organization from entering into the transaction. That cash benefit was actually received at the inception of the NMTC transaction in 2010 but is not recognized in the consolidated statements of activities until the benefit becomes certain with the unwinding of the structure.

In the future (approximately 7 years from the inception of each of the other NMTC transactions described in this footnote), the entities that are the effective owners of the Organization's promissory notes are expected to exercise put options whereby the promissory notes will become the property of the associated joint venture. Similar to the unwinding of the 2010 transaction described above, the exercise of the put options will effectively allow the Organization to extinguish the outstanding debt and realize its joint venture investments and note receivable without further material cash flow activity.

NOTE H – NOTE RECEIVABLES

As discussed in Note G, during 2013 the Organization recorded a note receivable and a promissory note (see note K) in connection with a NMTC transaction. The receivable accrues interest at 1.6% per year, payable each quarter, and is due in full January 1, 2042. The balance of the receivable was $5,096,045 at December 31, 2018 and 2017.

The Organization entered into a note receivable financing agreement resulting from the sale of a building. The note requires monthly cash receipts of $1,221 plus interest at 5% with final payment to be received in 2019. The remaining principal portion of the note receivable is $154,967 as of December 31, 2018.

NOTE I – NON-INTEREST/BELOW MARKET INTEREST BEARING LOANS

Traditional Home Loans

Prior to 2018, the Organization sold homes to program participants in exchange for mortgage loans with no interest. Starting in 2018, while some mortgage loans were still provided by the Organization, most mortgage loans related to sales of new and remodeled homes have been made by a third-party community lending organization and include below-market interest rates. Home sales involving the third-party originated loans effectively provide cash at closing to the Organization therefore, no Habitat-originated loan accounting is required. The Organization plans to continue to originate certain non-interest and/or below-market interest bearing loans in the future in certain circumstances where the third-party may be unable to make a loan.

For all home sales involving a Habitat-originated loan, such loans are payable to the Organization, and are shown on the consolidated statements of financial position discounted from their stated rates to various rates ranging from 7.4% to 9.0% at the inception of the mortgages, as dictated by Habitat International. The Organization had 139 and 138 loans outstanding at December 31, 2018 and 2017, respectively. Management feels no provision for loan losses is required because the Organization is a secured creditor and the fair market value of the homes is typically in excess of the related mortgage loan balance.

The Organization also sells homes to program participants under the NMTC programs in exchange for cash if the third-party community lending organization makes the home loan or for Habitat-originated mortgage notes with no, or below-market, interest rates. The Habitat-originated notes are payable to the Organization, and are shown on the consolidated statement of financial position discounted from their stated rates to various rates ranging from 7.4% to 7.6% at the inception of the mortgages, as dictated by Habitat International. The Organization had 32 and 26 loans outstanding at December 31, 2018 and 2017, respectively.

NOTE I – NON-INTEREST/BELOW MARKET INTEREST BEARING LOANS (Continued)

Management feels no provision for loan losses is required because the Organization is a secured creditor and the fair market value of the homes is typically in excess of the related mortgage note balance.

The Organization's mortgage home loans are as follows at December 31,:

	2018	2017
Mortgage Home Loans	$ 13,226,205	$ 12,696,019
Loan Discount	(8,043,518)	(7,708,170)
Basis in Loan	$ 5,182,687	$ 4,987,849

Home Repair/Improvement Loans

The Organization funds certain home repair/improvements for program participants in exchange for mortgage loans with no interest. These notes are all payable to the Organization, and are shown on the consolidated statements of financial position discounted at various rates ranging from 7.4% to 7.8% at the inception of the mortgages, as dictated by Habitat International. The Organization had 135 and 125 loans outstanding at December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the allowance for the home repairs loan receivables was $50,000 and $40,000, respectively.

The Organization's home repair loans are as follows at December 31,:

	2018	2017
Home Repair Loans	$ 662,943	$ 694,855
Loan Discount	(170,696)	(179,422)
Allowance for Doubtful Accounts	(50,000)	(40,000)
Basis in Loan	$ 442,247	$ 475,433

NOTE J – BANK REVOLVING LINE OF CREDIT

At December 31, 2018 and 2017, the Organization had a bank revolving line of credit in the amount of $2,000,000, which was amended in 2018 to be payable on July 6, 2020, including interest at .25% below the national prime rate. The interest rate on the line of credit at December 31, 2018 was 5.25%. The Organization had no outstanding balance on the line of credit at December 31, 2018 and 2017.

NOTE K – LONG-TERM DEBT

Long-term debt consists of the following at December 31,:

	2018	2017
Interest-free promissory notes payable to Habitat International. Monthly payments range from $7 to $1,380 and due dates range from January 2019 to June 2024.	$ 273,654	$ 287,287
Note payable to CCM Community Development XVII, LLC, semi-annual interest only payments until November 2019 at 0.77%, then semi-annual payments of $121,386, until due April 2028. The note has a put option feature that is exercisable in 2019. The note is secured by substantially all assets acquired from the project loan proceeds. (See Note G)	1,880,000	1,880,000
Note payable to Stonehenge Community Development LXXXVIII, LLC, quarterly interest only payments until January 1, 2020 at 1.606%, then quarterly payments of $64,628, until due October 23, 2043. The note has a put option feature that is exercisable in 2020. The note is secured by substantially all the assets of HFHO RE. (See Note G)	5,095,045	5,095,045
Note payable to Stonehenge Community Development LXXXVIII, LLC, quarterly interest only payments until January 1, 2020 at 1.606%, then quarterly payments of $12,664, until due October 23, 2043. The note has a put option feature that is exercisable in 2020. The note is secured by substantially all the assets of HFHO RE. (See Note G)	999,620	999,620
Note payable to HFHI NMTC SUB CDE I, LLC, semi-annual interest only payments until November 2023 at 0.68%, then semi-annual payments in an amount sufficient to fully amortize the remaining balance by December 2044. The associated agreements include a put option feature that is exercisable in 2023. The note is secured by substantially all assets acquired from the project loan proceeds. (See Note G)	2,157,398	2,157,398
Note payable to a bank, monthly interest-only payments for 24 months (beginning February 2015) at 5.75%, then semi-annual payments of approximately $18,000 beginning July 2017 at primarily variable interest rates until an early payoff in 2018. The note was secured by an agreement associated with a Tax Increment Redevelopment Project between the Organization and the City of Omaha.	-	320,725

NOTE K – LONG TERM DEBT (Continued)

	2018	2017
Note payable to HFHI NMTC SUB-CDE II, LLC, semi-annual interest only payments until May 2024 at 0.68%, then semi-annual payments in an amount sufficient to fully amortize the remaining balance by July 2047. The associated agreements include a put option feature that is exercisable in 2024. The note is secured by substantially all assets acquired from the project loan proceeds. (See Note G)	$ 4,406,299	$ 4,406,299
Note payable to a fund of the Omaha Community Foundation, quarterly payments of $19,910 until June 2025 and then $9,200 until December 2025 at 0%. The notes are secured by an interest in certain home and home repair mortgages.	535,580	-
Total Long-Term Debt	15,347,596	15,146,374
Less Debt Issuance Costs	(422,531)	(473,676)
Less Current Portion of Long-Term Debt	(152,623)	(129,137)
	$ 14,772,442	$ 14,543,561

The aggregate maturities of long-term debt for the years ending after December 31, 2018 are as follows:

Years Ending December 31,	
2019	$ 152,623
2020	534,997
2021	578,601
2022	574,569
2023	560,815
Thereafter	12,945,991
	$ 15,347,596

NOTE L – TRANSACTIONS WITH HABITAT INTERNATIONAL

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended December 31, 2018 and 2017, the Organization contributed $151,830 and $141,523 to Habitat International, respectively. This amount is included in the program services expense in the consolidated statements of activities and changes in net assets.

NOTE M – OPERATING LEASES

The Organization leases a vehicle and a warehouse under operating lease agreements expiring at various times through December 2019.

The future minimum lease payments required under the above operating leases as of December 31, 2018 are as follows:

Year Ending December 31,	Amount
2019	$ 39,067

NOTE N – IN-KIND CONTRIBUTIONS

Included in the consolidated financial statements are in-kind contributions and corresponding expenses, which consisted of the following at December 31,:

	2018		2017	
	Contribution	Expense	Contribution	Expense
Construction in Progress	$ 923,085	$ -	$ 970,598	$ -
Professional Fees	127,549	127,549	134,878	134,878
Inventory	21,969	-	42,864	-
Publicity	35,550	35,550	-	-
Miscellaneous	60,259	60,259	29,656	29,656
Property and Equipment	25,000	-	2,809	-
Total In-Kind Contribution	$ 1,193,412	$ 223,358	$ 1,180,805	$ 164,534

NOTE O – RETIREMENT PLAN

The Organization participates in a 403(b) retirement savings plan covering substantially all employees. The Organization's contributions are discretionary. The Organization contributed $91,872 and $89,998 for the years ended December 31, 2018 and 2017, respectively.

NOTE P – COMMITMENTS AND CONTINGENCIES

The Organization is subject to possible monitoring reviews by federal and state authorities that determine compliance with terms, conditions, laws, and regulations governing grants given to the Organization in the current and prior years. The Organization believes any disallowed or unexpended claims, which would require return of funds to the grantor agency, to be immaterial.

NOTE Q – LIQUIDITY AND AVAILABILITY

The Organization manages liquidity in its normal operating cycle with current year donations, grants and amounts received from house sales expected to provide the substantial majority of funds needed to pay its obligations as they come due. The current restrictions imposed by donors with time or purpose restrictions are, in all material respects, for normal annual operating purposes such as the acquisition/demolition/building/remodeling of homes in certain neighborhoods and/or acquisition of properties from certain owners – therefore those restricted funds are effectively expected to be used for normal operating purposes in the Organization's annual operating cycle.

The Organization has relatively small cash flow needs for anything other than its current operational purposes. While the Organization has total long term debt in excess of $15 million at December 31, 2018, the debt service cash requirements associated with the substantial majority of that debt (the New Market Tax Credit loans) are funded by the investment return on the associated investment in joint ventures or notes receivable. In effect, there is no material net cash flow requirement for the Organization's debt service.

To help manage unanticipated liquidity needs, the Organization has a cancellable line of credit in the amount of $2 million, which it could draw upon, and it maintains the Board designated operating reserve fund of approximately $2.1 million. Lastly, the Organization has entered into a number of Tax Increment Financing agreements with local governmental agencies that are expected to provide cash inflow to the Organization from certain property taxes (from homes sold or to be sold by the Organization) over the next 15 years. These future cash inflows, which approximate $2.5 million on an undiscounted basis, could be used as collateral to obtain loans if needed for unanticipated liquidity needs.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating reserve that could be drawn upon if the Board approves that action.

NOTE Q – LIQUIDITY AND AVAILABILITY (Continued)

	2018	2017
Cash and cash equivalents	$ 3,694,811	$ 4,412,578
Restricted cash	449,596	1,283,417
Investments	2,660,876	2,751,417
Investments – other	2,030,414	-
Current portion of unconditional promises to give	1,649,850	1,751,294
Current portion of mortgage loans	574,872	540,552
Current portion of home repair loans	157,788	150,132
Other receivables	594,883	352,209
Total financial assets	11,813,090	11,241,599
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Cash restricted by donor with time or purpose restrictions	(5,363,108)	(4,771,007)
Cash restricted by contract	(449,596)	(1,283,417)
Investments restricted for loan transactions	(500,000)	(500,000)
Board designations:		
Operating reserves and endowment	(2,153,927)	(2,241,142)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,346,459	$ 2,446,033