

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

**THE FULLER CENTER FOR HOUSING
OF GREATER NEW YORK CITY, INC.**

(Formerly known as
Habitat for Humanity of Westchester, Inc.)

June 30, 2018 and 2017

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Board of Directors

The Fuller Center for Housing of Greater New York City, Inc.

I have audited the accompanying financial statements of The Fuller Center for Housing of Greater New York City, Inc. (a nonprofit Organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, I 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.

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

WILLIAM RAMOS CPA PC

226 N Wantagh Ave
Bethpage, NY 11714

T 516.644.5877

T 516.938.1418

F 516.938.6480

wramos@wrtax.com



Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fuller Center for Housing of Greater New York City, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bethpage, NY
March 10, 2019

WILLIAM RAMOS CPA PC
226 N Wantagh Ave
Bethpage, NY 11714

T 516.644.5877
T 516.938.1418
F 516.938.6480

wramos@wrtax.com

The Fuller Center for Housing of Greater New York City, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 206,053	\$ 28,847
Non-Interest bearing mortgage loans, Current portion	203,370	203,370
Accounts receivable	43,690	114,775
Contribution receivable	31,942	87,687
Prepaid expenses	<u>32,885</u>	<u>19,944</u>
Total Current Assets	517,941	454,623
PROPERTY AND EQUIPMENT , net of accumulated depreciation	63,612	117,989
OTHER ASSETS		
Note receivable	11,790	10,826
Non-Interest bearing mortgage loans - Long term portion, net of unamortized discount	1,067,666	1,168,511
Construction in progress – Homes	2,515,574	2,341,246
Security deposits	29,808	29,808
Other receivables	<u>78,059</u>	<u>86,702</u>
Total Assets	<u>\$ 4,284,449</u>	<u>\$ 4,209,706</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 395,634	\$ 481,147
Loans payable - short term	<u>91,418</u>	<u>82,634</u>
Totals Current Liabilities	\$ 487,053	\$ 563,781
LONG-TERM LIABILITIES		
Line of credit - Customers bank	201,823	201,823
Security deposit	-	4,275
Loans payable - Long term	388,198	425,642
Other liabilities	<u>69,951</u>	<u>26,043</u>
Totals Liabilities	<u>1,147,025</u>	<u>1,221,564</u>
Net Assets		
Board undesignated	<u>3,137,424</u>	<u>2,988,141</u>
Total Liabilities and Net Assets	<u>\$ 4,284,449</u>	<u>\$ 4,209,706</u>

The accompanying notes are an integral part of these statements

The Fuller Center for Housing of Greater New York City, Inc.

STATEMENT OF ACTIVITIES

For the year ending June 30, 2018 and 2017

	Unrestricted	Restricted	2018 Total	2017 Total
Revenues				
Contributions				
Religious	\$ 23,670	-	\$ 23,670	\$ 15,543
Individuals	255,749	-	255,749	318,102
Hurricane relief	15,675	-	15,675	50,794
Corporations	130,261	-	130,261	264,124
Schools	135,387	-	135,387	129,470
Foundations	297,181	-	297,181	125,618
Fraternal	2,350	-	2,350	2,975
Agencies	12,290	-	12,290	9,179
Banks	81,000	-	81,000	28,500
In Kind	9,519	-	9,519	50,625
Other	12,650	-	12,650	6,609
Total contributions	<u>975,732</u>	<u>-</u>	<u>975,732</u>	<u>1,001,538</u>
Transfers to homeowners	-	-	-	-
Fund raising events	33,885	-	33,885	163,348
Mortgage discount amortization	102,552	-	102,552	102,552
	<u>136,437</u>	<u>-</u>	<u>136,437</u>	<u>265,900</u>
Other revenue and (loss)				
Interest and dividend income	149	-	149	1,024
Rental income	-	116,794	116,794	110,243
Restore	122,568	-	122,568	79,578
Other revenue (loss)	5,366	-	5,366	962
Total other income (loss)	<u>128,083</u>	<u>116,794</u>	<u>244,877</u>	<u>191,809</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>1,240,252</u>	<u>116,794</u>	<u>1,357,046</u>	<u>1,459,247</u>
Expenses				
Program expenses	811,343	-	811,343	1,080,801
Management and general	356,977	-	356,977	371,140
Fund raising expenses	39,443	-	39,443	28,927
TOTAL EXPENSES	<u>1,207,763</u>	<u>-</u>	<u>1,207,763</u>	<u>1,480,869</u>
Change in net assets	32,489	116,794	149,283	(21,622)
Transfers between funds	116,794	(116,794)	-	-
NET ASSETS- BEGINNING OF YEAR	<u>2,988,140</u>	<u>-</u>	<u>2,988,140</u>	<u>3,009,762</u>
NET ASSETS- END OF YEAR	<u>\$ 3,137,424</u>	<u>\$ 3,137,424</u>	<u>\$ 3,137,424</u>	<u>\$ 2,988,140</u>

The accompanying notes are an integral part of these statements

The Fuller Center for Housing of Greater New York City, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ending June 30, 2018 and 2017

Operating expenses	Program Expenses	Management and general	Fund Raising Expenses	2018 Total	2017 Total
Cost of homes transferred	54,189	-	12,670	66,860	116,983
Payroll and related	357,466	176,107	-	533,573	569,041
Travel expenses	21,830	39,700	-	61,530	35,493
Interest	-	34,200	-	34,200	30,258
Telephone	5,707	7,642	-	13,348	11,924
Insurance	27,576	-	-	27,576	74,335
Advertising	-	3,400	-	3,400	13,679
Utilities	19,406	1,746	-	21,153	7,491
Occupancy Costs	95,808	45,210	-	141,018	130,914
Fund raising cost	-	-	13,175	13,175	12,509
Office expenses	1,204	33,164	-	34,368	36,864
Professional fees	29,190	7,145	-	36,335	47,088
Postage and shipping	845	2,033	2,524	5,401	6,427
Printing and publications	-	1,362	11,073	12,435	16,418
Depreciation	16,753	-	-	16,753	21,382
Bank charges	41	5,269	-	5,310	5,305
Mortgage discount	-	-	-	-	-
Other program expenses	128,752	-	-	128,752	1,318
Hurricane relief	6,398	-	-	6,398	151,208
Neighborhood Revitaliation	12,066	-	-	12,066	155,335
Brush with Kindness	20,815	-	-	20,815	11,275
Food for Volunteers	7,297	-	-	7,297	9,271
Tithe to Habitat for Humanity International	6,000	-	-	6,000	16,350
 Total operating expenses	 <u>\$ 811,343</u>	 <u>\$ 356,977</u>	 <u>\$ 39,443</u>	 <u>\$ 1,207,763</u>	 <u>\$ 1,480,868</u>

The accompanying notes are an integral part of these statements

The Fuller Center for Housing of Greater New York City, Inc.

STATEMENT OF CASH FLOWS

For the year ending June 30, 2018 and 2017

Cash flows from operating activities:	2018	2017
Change in net assets	149,283	(19,552)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	16,753	22,041
Accretion of discounts on mortgage notes receivable	(102,552)	(102,552)
Change in operating assets and liabilities:		
Accounts receivable	71,085	(54,909)
Note receivable	(964)	(1,335)
Unconditional promises to give	55,745	59,313
Prepaid expenses	(12,941)	20,740
Construction in progress	(174,328)	(257,412)
Other receivables	8,643	(18,513)
Other payables	39,632	(8,703)
Security deposit	-	-
Accounts payable and accrued expenses	(85,512)	244,145
Net cash (used) by operating activities	(35,157)	(116,737)
Cash flows from investing activities		
Disposal/(Acquisition) of fixed assets	37,625	(37,625)
Net cash provided (used) by investing activities	37,625	(37,625)
Cash flows from financing activities		
Line of credit	(42,126)	(20,404)
Loan payables	13,467	(36,677)
Non-Interest bearing mortgage loans	203,397	185,260
Net cash provided by financing activities	174,738	128,179
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	177,206	(26,183)
Cash and cash equivalents		
Beginning of year	28,847	55,030
End of year	206,053	28,847

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest expense	\$ 35,173	\$ 39,985
Cash paid for real estate taxes	\$ 50,328	\$ 67,476

The accompanying notes are an integral part of these statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Organization

The Fuller Center For Housing Of Greater New York City, Inc. (“The Organization”) is a not-for-profit organization under Internal Revenue Code section 501 (c)(3) whose purpose is to develop housing for the benefit of and in cooperation with persons of low to moderate income in Westchester County, New York and then to sell the houses to such persons with no mortgage interest and no profit so as to achieve the long-term goal of eliminating poverty housing and homelessness in partnership with all people as co-workers.

Income Tax Status

The Organization is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for NFPs. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Statements of Cash Flows

For purposes of the statements of cash flows, The Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Support and Revenue

All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for the future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

The Organization periodically receives contributions in a form other than cash or investments. If the organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization’s capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed

Transfers to Homeowners

Transfers to homeowners are recorded at the gross mortgage amount plus down payment received. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as interest income over the term of the mortgage.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Home Construction Costs

Costs incurred in conjunction with home construction are capitalized until title transfers to the purchaser. Following is a summary of home building activity:

	<u>Homes</u>	<u>Cost</u>
Homes under construction, July 1, 2017	10	\$ 2,341,246
Additional costs incurred on beginning inventory		165,256
New homes started during the year	-	-
Homes transferred during the year	<u>-</u>	<u>-</u>
Homes under construction, June 30, 2018	10	<u>\$ 2,506,502</u>

As homes are completed and ownership is transferred, the total cost accumulated on the balance sheet under the Construction in Progress account is expensed to the Statement of Activities Program expenses under Cost of Homes Transferred. Additional expenses related to completed homes during the year of transfer are expenses directly to the Cost of Homes Transferred account. During 2018, indirect expenses related to completed homes and homes under construction amounted to \$54,189.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation for comparative purposes. These reclassifications have not had any impact on net income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the day of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation and Contributions

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

NOTE 2 - NON-INTEREST-BEARING MORTGAGE LOANS

Mortgage receivables consist of thirty-four 20 year mortgages collateralized by the related property. The monthly payment does not include interest. The mortgages have been discounted using the prevailing market rate for low income housing at the inception of the mortgage. Utilizing a straight-line basis, this discount will be recognized as interest income over the term of the mortgages. The Fuller Center for Housing of Greater New York City, Inc. retains the right of first refusal if the mortgagor wishes to sell the property. When the property is sold the mortgagor retains an amount equal to: a) during the first eight years, the total of all mortgage payments made, and b) thereafter the amount of all mortgage payments multiplied by a cost-of-living increase. The cost of living increase is calculated as: the consumer price index in effect for the month proceeding the month in which the repurchase is closed divided by the consumer price index in effect when the homeowner issued the mortgage. The prevailing rates used as of June 30, 2018 and 2017 were 7.57% and 7.47%, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Conditional promises to give represents money pledged to the organization but not received as of June 30, 2018. Conditional promises to give accumulated to \$43,690 and \$147,775 as of June 30, 2018 and 2017, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 consisted of the following:

<i>Cost</i>	<u>2018</u>	<u>2017</u>
Building and land	\$ 27,202	\$ 27,202
Furniture and equipment	57,605	57,605
Vehicles	<u>184,240</u>	<u>221,865</u>
	269,047	306,672
Less: Accumulated depreciation and amortization	<u>\$(205,435)</u>	<u>(188,684)</u>
Net fixed assets	<u>\$ 63,612</u>	<u>\$ 117,988</u>

Depreciation expenses for the year ending June 30, 2018 and 2017 were \$16,753 and \$21,382, respectively.

NOTE 5 - HABITAT FOR HUMANITY INTERNATIONAL

The Organization remitted a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. The amounts transferred as of June 30, 2018 and 2017 were \$6,000 and \$16,350, respectively.

NOTE 6 - LOANS PAYABLE

Habitat for Humanity International, Inc

The Organization entered into two accelerated asset recovery programs whereas Habitat for Humanity International gave a 10 year note with mortgages receivables pledged as collateral. Loan proceeds were used to fund program expenses. Balance due at June 30, 2018 and 2017 were \$136,160 and \$172,693, respectively.

Details of the loans are as follows:

Original Date	Description	Original Amount	Short Term	Long Term	June 30, 2018 Balance
Dec 2011	FlexCap 5.0%	\$269,600	\$ 29,713	\$ 81,759	\$111,472
Mar 2016	FlexCap 3.5%	43,200	9,444	15,244	24,688
		<u>\$312,800</u>	<u>\$ 39,157</u>	<u>\$ 97,003</u>	<u>\$136,160</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - LOANS PAYABLE (cont.)

<u>SUMMARY OF NOTES PAYABLE</u>	<u>Short Term</u>	<u>Long Term</u>	<u>2018 Total</u>
Loan Payable – Donor	-	100,500	100,500
Loan Payable – Donor	-	50,000	50,000
Loan Payable – Customers Bank	52,261	140,695	192,957
Loan Payable – Accelerated asset recovery program	<u>39,157</u>	<u>97,003</u>	<u>136,160</u>
Total Long Term Loans payable	<u>\$ 91,418</u>	<u>\$ 388,198</u>	<u>\$ 479,617</u>

NOTE 7 – CUSTOMERS BANK FINANCING ARRANGEMENTS

The Organization has a line of credit with Customers Bank in the amount of \$250,000. Line of credit balances due at June 30, 2018 and 2017 were \$201,823 and \$201,823, respectively.

An additional loan payable with Customers Bank was agreed on February 27, 2017 in the original principal amount of \$250,000 due on February 24, 2022. Fixed interest rate of 4.750%, payable in monthly principal and interest payments of \$4,696.13, beginning March 24, 2017. Ending balances at June 30, 2018 and 2017 were \$192,957 and \$235,083, respectively.

The line of credit and note payable is secured by the Organization’s mortgage receivables. The carrying amount of the Organization's mortgage receivables as of June 30, 2018 and 2017 were \$2,336,898 and \$2,540,295, respectively.

NOTE 8 - RENTAL INCOME

Rental income is collected on homes that are completed, but not transferred, and occupied by the intended purchaser. As the purchaser completes the purchase of the home, rental income collected from the tenant/purchaser is fully applied to the initial down payment in the form of a stipend. Stipends applied to the initial down payment are shown as a separate line item under program expenses.

Total rental proceeds as of June 30, 2018 and 2017 were \$116,794 and \$110,243, respectively.

NOTE 9 – DONATED GOODS AND SERVICES

The Organization records, as both, in-kind support and expenses, the value of donated goods and services received in support of its program. These in-kind contributions primarily include donated plumbing supplies and construction raw materials, land and miscellaneous supplies used in construction. The total value of donated goods and services for the year ended June 30, 2018 and 2017 totaled \$9,519 and \$50,625, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events were evaluated through March 10, 2019, which is the date the financial statements were available to be issued.

On August 2018, a decision was made to continue the organizations mission and programs with The Fuller Center for Housing, Inc which required a modification to the organizations originally filed documents with New York State and the Internal Revenue Service. The modification reflects a name change from Habitat for Humanity of Westchester, Inc. to The Fuller Center for Housing of Greater New York City, Inc.

This opportunity offered the organization an opportunity to focus on the original mission that Millard and Linda Fuller, the founders of Habitat for Humanity, helped create--simple decent homes with interest-free mortgages and no down payment. The organization will also be able to cover a broader area and serve more people through other programs such as disaster relief.