

MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Financial Statements

Years Ended June 30, 2015 and 2014

(With Independent Auditor's Report Thereon)

MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Index to Financial Statements

Years Ended June 30, 2015 and 2014

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Independent Auditor's Report

The Board of Directors of  
Manatee County Habitat for Humanity, Inc.

I have audited the accompanying financial statements of Manatee County Habitat for Humanity, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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 my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

(Continued)



## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manatee County Habitat for Humanity, Inc. as of June 30, 2015 and 2014, 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.

*Robert M. Ledy, CPA*

Bradenton, Florida  
October 7, 2015



MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Statements of Financial Position

June 30, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 175,826	457,865
Investments	224,928	221,710
Accounts receivable, net of allowance for doubtful accounts of \$19,000 in 2015 and \$22,000 in 2014	2,333	4,253
Mortgage servicing asset due from Hancock Bank	15,364	46,416
Current portion of mortgages receivable, net of related unamortized discount	42,552	40,290
Residential construction in progress, net of allowance for discounting on sale of \$120,600 in 2015 and \$131,241 in 2014	93,730	109,774
Prepaid expenses	<u>692</u>	<u>3,207</u>
Total current assets	<u>555,425</u>	<u>883,515</u>
Property, furniture and equipment	396,971	349,252
Less accumulated depreciation	<u>156,653</u>	<u>132,889</u>
Net property, furniture and equipment	<u>240,318</u>	<u>216,363</u>
Other assets:		
Mortgages receivable	3,232,482	2,652,419
Less unamortized discount on mortgages	<u>1,620,736</u>	<u>1,336,637</u>
	1,611,746	1,315,782
Less current portion of mortgages receivable, net	<u>42,552</u>	<u>40,290</u>
Noncurrent mortgages receivable, net	1,569,194	1,275,492
Land held for development	779,816	1,089,875
Deposits	<u>19,034</u>	<u>18,474</u>
Total other assets	<u>2,368,044</u>	<u>2,383,841</u>
	<u>\$ 3,163,787</u>	<u>3,483,719</u>

See accompanying notes to financial statements.

<u>Liabilities and Net Assets</u>	<u>2015</u>	<u>2014</u>
Current liabilities:		
Accounts payable	\$ 116,934	62,996
Accrued and withheld payroll taxes and benefits	1,689	5,146
Accrued payroll and compensated absences	30,023	32,119
Other accrued expenses	64,205	-
Current portion of long-term debt	870,648	914,937
Mortgage related escrow deposits	<u>103,903</u>	<u>87,604</u>
Total current liabilities	<u>1,187,402</u>	<u>1,102,802</u>
Net assets:		
Unrestricted	1,841,104	2,348,375
Temporarily restricted	<u>135,281</u>	<u>32,542</u>
Total net assets	1,976,385	2,380,917
	<u>\$ 3,163,787</u>	<u>3,483,719</u>

MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Statements of Activities

Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support:						
Grants	\$ 36,390	360,913	397,303	72,380	347,247	419,627
Contributions	-	148,420	148,420	-	119,467	119,467
Sales to homeowners	685,000	-	685,000	407,400	-	407,400
ReStore gross income	1,228,646	-	1,228,646	1,139,295	-	1,139,295
Fund raising events	29,832	-	29,832	1,917	-	1,917
Interest and dividends	8,265	-	8,265	7,118	-	7,118
Net realized and unrealized gains (losses) on investments	(3,801)	-	(3,801)	15,429	-	15,429
Mortgage discount amortization	107,391	-	107,391	87,219	-	87,219
Other income	64,703	-	64,703	38,235	-	38,235
Net assets released from restriction	406,594	(406,594)	-	445,595	(445,595)	-
Total revenue, gains, and other support	<u>2,563,020</u>	<u>102,739</u>	<u>2,665,759</u>	<u>2,214,588</u>	<u>21,119</u>	<u>2,235,707</u>
Expenses:						
Program services:						
Housing construction	1,443,581	-	1,443,581	841,718	-	841,718
Family services	51,010	-	51,010	48,824	-	48,824
Volunteer services	62,798	-	62,798	67,838	-	67,838
Total program services	<u>1,557,389</u>	<u>-</u>	<u>1,557,389</u>	<u>958,380</u>	<u>-</u>	<u>958,380</u>
ReStore	<u>1,206,241</u>	<u>-</u>	<u>1,206,241</u>	<u>967,809</u>	<u>-</u>	<u>967,809</u>
Supporting services:						
Fund raising	27,063	-	27,063	8,280	-	8,280
Management and general	279,598	-	279,598	267,342	-	267,342
Total supporting services	<u>306,661</u>	<u>-</u>	<u>306,661</u>	<u>275,622</u>	<u>-</u>	<u>275,622</u>
Total expenses	<u>3,070,291</u>	<u>-</u>	<u>3,070,291</u>	<u>2,201,811</u>	<u>-</u>	<u>2,201,811</u>
Changes in net assets	(507,271)	102,739	(404,532)	12,777	21,119	33,896
Net assets at beginning of year	<u>2,348,375</u>	<u>32,542</u>	<u>2,380,917</u>	<u>2,335,598</u>	<u>11,423</u>	<u>2,347,021</u>
Net assets at end of year	<u>\$ 1,841,104</u>	<u>135,281</u>	<u>1,976,385</u>	<u>2,348,375</u>	<u>32,542</u>	<u>2,380,917</u>

See accompanying notes to financial statements.

MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses

Year Ended June 30, 2015

	Program Services			ReStore	Supporting Services		Total
	Housing Construction	Family Services	Volunteer Services		Fund Raising	Management and General	
Cost of houses sold:							
Direct and indirect construction costs	\$ 482,250	-	-	-	-	-	482,250
Cost of land	90,000	-	-	-	-	-	90,000
Discounts on mortgages issued	391,489	-	-	-	-	-	391,489
Total cost of houses sold	<u>963,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>963,739</u>
Employment expenses:							
Salaries	55,481	38,252	36,409	568,476	-	130,743	829,361
Payroll taxes and benefits	17,533	9,777	10,862	157,999	-	28,856	225,027
Total employment expenses	<u>73,014</u>	<u>48,029</u>	<u>47,271</u>	<u>726,475</u>	<u>-</u>	<u>159,599</u>	<u>1,054,388</u>
Facilities costs:							
Utilities and sanitation	2,857	-	-	44,163	-	3,243	50,263
Building maintenance	76	-	-	4,797	-	552	5,425
Telephone	4,322	-	-	10,927	-	1,996	17,245
Facilities lease	-	-	-	238,638	-	22,130	260,768
IT computer	124	-	165	-	5,656	8,152	14,097
Security monitoring	264	-	-	324	-	216	804
Total facilities costs	<u>7,643</u>	<u>-</u>	<u>165</u>	<u>298,849</u>	<u>5,656</u>	<u>36,289</u>	<u>348,602</u>
Vehicle expenses	7,047	-	-	54,112	-	-	61,159
Family services other costs	-	2,182	-	-	-	-	2,182
Property and liability insurance	1,762	-	383	4,913	-	19,071	26,129
Advertising and marketing	1,825	-	-	32,602	1,158	15,101	50,686
Fundraising costs, other	-	-	-	-	14,905	-	14,905
Volunteer administration and donor development costs, other	-	-	13,011	5,245	590	-	18,846
Tithe to HHI	37,000	-	-	-	-	-	37,000
Supplies and equipment expense	707	-	-	19,811	-	4,826	25,344
Depreciation	12,630	-	-	7,751	1,178	8,106	29,665
Travel and training	1,266	750	1,949	-	91	4,444	8,500
Dues and memberships	385	-	-	-	300	878	1,563
Postage and delivery	-	49	-	-	285	932	1,266
Professional fees	-	-	-	-	2,600	28,690	31,290
Banking and credit card fees	19	-	19	25,379	-	826	26,243
Interest expense	82,222	-	-	-	-	-	82,222
Property taxes	-	-	-	12,853	-	-	12,853
Other expenses	658	-	-	18,251	300	836	20,045
Infrastructure and site maintenance costs expensed	17,268	-	-	-	-	-	17,268
A Brush with Kindness and rehabs	4,376	-	-	-	-	-	4,376
Valuation adjustment on land held for development	232,020	-	-	-	-	-	232,020
	<u>\$ 1,443,581</u>	<u>51,010</u>	<u>62,798</u>	<u>1,206,241</u>	<u>27,063</u>	<u>279,598</u>	<u>3,070,291</u>

See accompanying notes to financial statements.



MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses

Year Ended June 30, 2014

	Program Services			ReStore	Supporting Services		Total
	Housing Construction	Family Services	Volunteer Services		Fund Raising	Management and General	
Cost of houses sold:							
Direct and indirect construction costs	\$ 256,837	-	-	-	-	-	256,837
Cost of land	45,000	-	-	-	-	-	45,000
Discounts on construction in progress	53,419	-	-	-	-	-	53,419
Discounts on mortgages issued	220,282	-	-	-	-	-	220,282
Total cost of houses sold	<u>575,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,538</u>
Employment expenses:							
Salaries	48,147	35,426	35,200	480,478	-	141,917	741,168
Payroll taxes and benefits	18,183	9,726	15,374	140,194	-	21,506	204,983
Total employment expenses	<u>66,330</u>	<u>45,152</u>	<u>50,574</u>	<u>620,672</u>	<u>-</u>	<u>163,423</u>	<u>946,151</u>
Facilities costs:							
Utilities and sanitation	2,394	-	-	32,079	-	3,406	37,879
Building maintenance	801	-	-	5,998	-	121	6,920
Telephone	3,831	-	-	11,422	-	2,538	17,791
Facilities lease	-	-	-	139,761	-	21,696	161,457
IT computer	1,766	-	894	-	-	7,662	10,322
Security monitoring	264	-	-	324	-	215	803
Total facilities costs	<u>9,056</u>	<u>-</u>	<u>894</u>	<u>189,584</u>	<u>-</u>	<u>35,638</u>	<u>235,172</u>
Vehicle expenses	8,092	-	-	57,136	-	-	65,228
Family services other costs	158	2,526	-	-	-	-	2,684
Property and liability insurance	1,843	-	332	9,804	-	13,999	25,978
Advertising and marketing	221	-	-	23,558	753	13,697	38,229
Fundraising costs, other	-	-	-	-	4,283	-	4,283
Volunteer administration and donor development costs, other	-	-	13,993	3,072	1,238	24	18,327
Tithe to HHI	18,500	-	-	-	-	-	18,500
Supplies and equipment expense	781	43	128	15,613	20	4,651	21,236
Depreciation	10,651	-	-	5,332	1,058	3,338	20,379
Travel and training	3,024	1,103	1,898	-	50	5,367	11,442
Dues and subscriptions	385	-	-	-	250	928	1,563
Postage and delivery	5	-	-	-	144	1,244	1,393
Professional fees	-	-	-	-	-	19,720	19,720
Banking and credit card fees	2,072	-	19	21,257	184	721	24,253
Interest expense	48,968	-	-	-	-	4	48,972
Property taxes	482	-	-	12,853	-	-	13,335
Other expenses	160	-	-	8,928	300	4,588	13,976
Infrastructure and site maintenance costs expensed	22,643	-	-	-	-	-	22,643
Rehabs/Refurbs/Veteran Repairs	63,064	-	-	-	-	-	63,064
A Brush with Kindness costs	9,745	-	-	-	-	-	9,745
	<u>\$ 841,718</u>	<u>48,824</u>	<u>67,838</u>	<u>967,809</u>	<u>8,280</u>	<u>267,342</u>	<u>2,201,811</u>

See accompanying notes to financial statements.

MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (404,532)	33,896
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Net realized and unrealized gains (losses) on investments	3,801	(15,429)
Mortgage discount amortization	(107,391)	(87,219)
Removal of unamortized discounts on foreclosures	-	52,217
Cost of lots sold	90,000	45,000
Discounts on construction in progress	(10,641)	(53,419)
Discounts on mortgages issued	391,489	220,282
Depreciation and amortization	29,665	20,379
Provision for doubtful accounts	(3,000)	(8,000)
Valuation adjustment on land held for development	232,020	-
Decrease (increase) in:		
Accounts receivable	4,920	20,210
Mortgage servicing asset due from Hancock Bank	31,052	(18,194)
Mortgages receivable	(580,063)	(185,497)
Prepaid expenses	2,515	7,943
Residential construction in progress	26,685	(100,838)
Deposits	(560)	(5,729)
Increase (decrease) in:		
Accounts payable	43,767	(16,889)
Accrued and withheld payroll taxes and benefits	(3,457)	1,621
Accrued payroll and compensated absences	(2,096)	5,301
Other accrued expenses	64,205	-
Mortgage related escrow deposits	16,299	19,287
Net cash used by operating activities	<u>(175,322)</u>	<u>(65,078)</u>
Cash flows from investing activities:		
Purchases of investments	(8,019)	(16,382)
Proceeds from sale of investments	1,000	-
Acquisition of land for development	(11,960)	(34,945)
Capital expenditures	<u>(43,451)</u>	<u>(12,534)</u>
Net cash used by investing activities	<u>(62,430)</u>	<u>(63,861)</u>
Cash flows from financing activities,		
principal payments on long-term debt	<u>(44,287)</u>	<u>(85,063)</u>
Net decrease in cash and cash equivalents	(282,039)	(214,002)
Cash and cash equivalents at beginning of year	<u>457,865</u>	<u>671,867</u>
Cash and cash equivalents at end of year	<u>\$ 175,826</u>	<u>457,865</u>

Included in accounts payable at June 30, 2015 is \$10,771 associated with acquisition of equipment.

See accompanying notes to financial statements.

# MANATEE COUNTY HABITAT FOR HUMANITY, INC.

## Notes to Financial Statements

June 30, 2015 and 2014

### (1) Summary of Significant Accounting Policies

#### Organization and basis of presentation

Manatee County Habitat for Humanity, Inc. (Habitat) is a non-profit corporation formed under the laws of the State of Florida. Habitat, an affiliate of Habitat for Humanity International, is an ecumenical, Christian, volunteer-based organization dedicated to building simple low-cost homes by forming working partnerships with low-income families in desperate need of decent housing. Habitat's primary program activity is the construction, renovation, sale, and financing of houses for individuals in need in Manatee County, Florida. These individuals participate in the construction of their own homes. Habitat also operated three stores (ReStore), one of which was closed in 2015, which sell affordable home furnishings and building materials. Substantially all ReStore inventory is donated.

Habitat's financial statements have been prepared on the accrual basis of accounting.

#### Use of estimates

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

#### Cash equivalents

For purposes of the statements of cash flows, Habitat considers all debt instruments purchased with original maturities of three months or less to be cash equivalents.

#### Investments

Investments are recorded at fair value. Fair value is determined by readily determinable current market values for equity and debt securities. All realized and unrealized gains and losses and income or loss arising from investments are accounted for in the statements of activities as increases or decreases to unrestricted net assets.

#### Allowance for doubtful accounts

Habitat provides allowances for doubtful accounts and mortgages receivable based on the allowance method. The allowance is based on past experience and on analysis of mortgages receivable collectability. Mortgages receivable are considered delinquent based on passage of a specified period of time and consideration of payment history. Mortgages receivable deemed uncollectible are written off and charged to the allowance in the year they are deemed uncollectible. No allowance was considered necessary by management at June 30, 2015 and 2014 related to mortgages receivable. On other accounts receivable, allowances of \$19,000 and \$22,000 were established at June 30, 2015 and 2014, respectively.

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# MANATEE COUNTY HABITAT FOR HUMANITY, INC.

## Notes to Financial Statements

### Mortgages receivable

Mortgages receivable are noninterest bearing mortgage notes originated by Habitat on the sales of houses by Habitat to qualified homeowners. The mortgages receivable have original terms of 15 to 30 years, are collateralized by mortgages on related real property, and may contain restrictions regarding disposition of the related property. The mortgages receivable are discounted at imputed interest rates recommended by Habitat for Humanity International, Inc. Because the real estate securing each mortgage has an estimated current market value well in excess of the related outstanding mortgage balance net of related mortgage discount, management considers all mortgages receivable fully collectible at June 30, 2015 and 2014, and thus no allowance for uncollectible mortgages receivable has been provided.

### Property, furniture and equipment

Property, furniture and equipment are recorded at cost. Donated property, furniture and equipment are recorded at estimated fair value at the date of contribution. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the useful life of the respective assets, are charged to expense as incurred. All property, furniture and equipment other than land are depreciated over the estimated useful lives of the respective assets on the straight-line method. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recognized. The assets estimated useful lives used for property, furniture and equipment range from 3 to 39 years.

### Residential construction in progress

Cost of construction of homes is capitalized as residential construction in progress as incurred and transferred to housing construction program expense when a completed home is sold. An allowance for discounting at imputed rates identical to those utilized on Habitat's mortgages receivable is applied to the cost balance of residential construction in progress to record estimated cost currently associated with future discounting on mortgages when the related property is sold.

### Land held for development

Habitat acquires land to be developed for residential construction. Once the land is developed, individual lot costs are transferred to housing construction program expense when a related home is sold.

### Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset.

(Continued)

# MANATEE COUNTY HABITAT FOR HUMANITY, INC.

## Notes to Financial Statements

### Net assets classification

The financial statements of Habitat have been 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. This is accomplished by classifying transactions into three classes of net assets--permanently restricted, temporarily restricted, or unrestricted.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation.

### Sales to homeowners

Habitat records sales to homeowners at the time of closing of the selling process with the homeowner when sales proceeds are received and mortgages originated by Habitat applicable to the house being sold are also recorded.

### Grants and contributions

Grants and contributions from various agencies, private organizations, and individuals are generally received by Habitat and are measured at fair value. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Gifts of cash and other assets are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### Restricted resources

When Habitat has both restricted and unrestricted resources available to finance a particular activity or program, it is Habitat's policy to use restricted resources before unrestricted resources.

### Investment income

Unrestricted net assets investment income is reported as an unrestricted gain. Restricted net assets related investment income which is not donor-restricted is recorded as an unrestricted gain. Restricted net assets related investment income which is donor-restricted is added to restricted net assets.

(Continued)

# MANATEE COUNTY HABITAT FOR HUMANITY, INC.

## Notes to Financial Statements

### Functional expenses

Functional expenses are allocated between program services and supporting services based on actual time spent on activities in each area as well as specific costs incurred in each area. Program services include housing construction, family services, and volunteer services, while supporting services are comprised of ReStores, fund raising, and management and general expenses.

### Compensated absences

Habitat's policies permit most employees to accumulate vacation benefits that may be realized as paid time off (PTO). PTO vests and may be carried forward by an employee in an amount not to exceed hourly limits based on length of employment. PTO benefits are expensed and accrued as earned under Habitat's PTO policy, with the vested amount recorded as a current accrued liability. Compensated absence liabilities are computed using regular pay rates for PTO in effect at the balance sheet date.

### Advertising

Habitat expenses advertising costs as they are incurred.

### Income taxes

Habitat is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Service.

### Subsequent events

Habitat has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 7, 2015, which is the date the financial statements were considered "available to be issued". Financial statements are considered to be "available to be issued" when they are complete in a form and format that complies with GAAP and all approvals necessary for issuance have been obtained.

### (2) Cash and Cash Equivalents

At June 30, 2015, Habitat's cash and cash equivalents consisted of checking accounts, savings accounts, and petty cash funds recorded at cost which approximates market. There were no deposits in excess of federal depository insurance coverage at June 30, 2015.

(Continued)

MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

(3) Investments

Investment holdings consist of mutual funds and various equity securities. Investments are stated at fair value with the exception of one non-traded equity security which is valued at its estimated fair value at the date it was contributed to Habitat. Fair values and unrealized appreciation at June 30, 2015 and 2014 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
June 30, 2015:			
Mutual fund MMA	\$ 14,689	14,689	-
Equity securities	3,000	5,537	2,537
Mutual funds	<u>191,503</u>	<u>204,702</u>	<u>13,199</u>
	<u>\$ 209,192</u>	<u>224,928</u>	<u>15,736</u>
June 30, 2014:			
Mutual fund MMA	\$ 14,647	14,647	-
Equity securities	3,000	4,952	1,952
Mutual funds	183,484	201,111	17,627
Non-traded equity security	<u>1,000</u>	<u>1,000</u>	<u>-</u>
	<u>\$ 202,131</u>	<u>221,710</u>	<u>19,579</u>

(4) Mortgages Receivable

Gross mortgages receivable at June 30, 2015 and 2014 totaled \$3,232,482 and \$2,652,419, respectively, while unamortized discounts on mortgages receivable were \$1,620,736 at June 30, 2015 and \$1,336,637 at June 30, 2014. Discounts on mortgages receivable have been determined using discount rates ranging from 7.39% to 9% annually.

(Continued)

MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

(5) Property, Furniture and Equipment

The following is a summary of property, furniture and equipment, along with estimated useful lives, at June 30, 2015 and 2014:

	<u>Life in Years</u>	<u>2015</u>	<u>2014</u>
Office expansion land	-	\$ 61,752	61,752
Warehouse and office building	39	130,935	130,935
Leasehold improvements	5	44,198	44,198
Furniture, fixtures and office equipment	3-7	79,052	65,059
Vehicles	<u>5</u>	<u>81,034</u>	<u>47,308</u>
		396,971	349,252
Less accumulated depreciation		<u>156,653</u>	<u>132,889</u>
Net property, furniture and equipment		<u>\$ 240,318</u>	<u>216,363</u>

(6) Land Held for Development

Land held for development is comprised of the following property recorded at cost, net of valuation allowance, as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Hope Landing, at cost	\$ -	197,773
Less allowance for valuation adjustment	<u>-</u>	<u>107,773</u>
	<u>-</u>	<u>90,000</u>
Cortez Landings, at cost	1,493,840	1,493,840
Less allowance for valuation adjustment	<u>771,860</u>	<u>539,840</u>
	<u>721,980</u>	<u>954,000</u>
Other	<u>57,836</u>	<u>45,875</u>
	<u>\$ 779,816</u>	<u>1,089,875</u>

In 2011, based on an appraisal, Habitat management determined the fair value per lot of the remaining sixteen lots at its Hope Landing development at June 30, 2011 was \$15,000, and recorded a valuation adjustment to reduce cost basis per lot to fair value. In 2015 and 2014, Habitat completed and sold six and three housing units, respectively, at Hope Landing, with all lots sold as of June 30, 2015.

(Continued)



# MANATEE COUNTY HABITAT FOR HUMANITY, INC.

## Notes to Financial Statements

Cortez Landings, a development somewhat similar to Hope Landing, has fifty-three lots as of June 30, 2015 and 2014 on which housing units can be constructed. Based on the Hope Landing appraisal and considering the Cortez Landings lots were somewhat larger, management determined the fair value per lot of \$18,000, resulting in a total fair value at June 30, 2014 of \$954,000, net of a valuation adjustment of \$539,840. In April 2014, Habitat entered into a contract for sale of this property for \$1,490,000. On September 24, 2014, Habitat signed an amendment to the original contract agreeing to extend the closing date of the sale for monthly closing periods from October 1, 2014 through March 31, 2015, so long as a closing extension payment of \$8,854 is paid each month prior to the potential buyer requesting a monthly extension. All of the monthly closing extension payments are non-refundable but were to be applied to the purchase price. Additionally, in August 2014, the potential buyer made a \$25,000 non-refundable deposit which was to be applied to the sale purchase price. Included in miscellaneous income in 2015 is \$51,567 of total non-refundable deposits forfeited by the potential buyer who was unable to fulfill the related contract. During 2015, Habitat entered into another contract for the sale of Cortez Landings which had a settlement date of September 15, 2015, and resulted in proceeds from the sale net of costs of selling being \$721,980. In 2015, an additional valuation adjustment of \$232,020 was recorded to reduce fair value of the related property to \$721,980 at June 30, 2015.

### (7) Long-term Debt

In connection with the acquisition of Cortez Landings land held for development on March 3, 2009, Habitat entered into a \$1,000,000 commercial loan note contract with the seller of the related property. Terms of the original contract provide no interest on the note through September 1, 2009, at which time interest began to accrue at the annual rate of five percent (5%) and was being paid monthly, principal reduction payments to be made, from time to time, with the sale or conveyance of any of the individual lots which are security for the contract in the amount of \$30,000 per lot, and all unpaid principal shall be due and payable on March 3, 2014. In 2014, although no lots had been sold, Habitat began making principal payments on the note contract, in exchange for the lender extending the maturity date of the note with principal payments for 2015 and 2014 totaling \$44,289 and \$85,063, respectively, resulting in an outstanding principal balance of \$870,648 at June 30, 2015. In conjunction with the September 24, 2014 amendment to sale contract described in note 6, the lender agreed to extend the due date on this debt through March 31, 2015, in exchange for increasing the interest rate on the unpaid balance to one percent (1%) per month (\$8,854 of interest per month) through the maximum extension date with no principal payments required. As of June 30, 2015, the full amount of this indebtedness is classified as a current liability. The commercial loan note contract is secured by a mortgage and security agreement on the related property acquired. During 2015 and 2014, Habitat incurred and paid \$82,222 and \$48,968, respectively, of interest expense associated with this commercial loan note contract. As described in note 6 above, the property securing this commercial loan note was sold with a closing date of September 15, 2015. Principal on this loan of \$845,648 at sale closing along with another \$25,000 principal payment made in July 2015 is equal to the loan balance of \$870,648 at June 30, 2015.

(Continued)

MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

(8) Lease Commitments

Habitat commenced a "ReStore" operation during 2009 with the ReStore receiving contributions of a variety of property including household goods, appliances, clothing, construction materials, etc., which is then made available to the public for purchase. As a result of starting the operation, Habitat entered into a noncancelable lease for warehouse and retail store space with the lease beginning October 1, 2008 and renewed the lease in 2013 extending the lease through December 31, 2020. Lease terms provide for a base rent of \$6,679 per month, to be increased on each annual anniversary date by the annual change in the consumer price index. Additional rent for lawn maintenance, real estate taxes, and insurance is also payable monthly.

During 2012, Habitat entered into a lease of office and retail property to be utilized to house a second "ReStore" operation as well as Habitat's administrative offices. The lease has a term of five years which commenced June 1, 2012, with a base monthly lease rate of \$4,417 for the first two years and then escalating to \$4,505, \$4,595, and \$4,687 per month in lease years three, four, and five, respectively.

In December 2013, Habitat entered into a real estate lease to house its third "ReStore" location. During 2015, Habitat closed this "ReStore". Included in other accrued expenses at June 30, 2015 is \$62,000 related to closing of this location, including \$41,921 of lease payments through December 20, 2015, the end of the initial lease term, \$18,000 reimbursement to lessor for tenant improvements required by the lease, and estimated utilities of \$2,079 through end of initial lease term.

The following are the future minimum operating lease obligations, excluding "ReStore" three, due annually through the terms of the leases:

Year Ending June 30,

2016	\$ 135,380
2017	131,639
2018	80,148
2019	80,148
2020	80,148
2021	<u>40,074</u>

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 represent restricted contributions of \$135,281 and \$17,742, respectively, available to fund housing construction. Additionally at June 30, 2014, \$14,800 represented net assets restricted for acquisition of transportation equipment.

(Continued)

MANATEE COUNTY HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

(10) Contingency

During 2007, Habitat entered into an agreement with Whitney National Bank, now Hancock Bank (Hancock), whereby a vehicle was established under which Hancock would purchase residential mortgage loans generated by Habitat related to low income affordable housing sold. The maximum aggregate principal balances outstanding on related loans purchased cannot exceed \$2,000,000. Aggregate principal balances outstanding on related loans as of June 30, 2015 totaled \$1,018,499. In accordance with terms of the agreement, Habitat continues to service the residential mortgage loans at no cost to Hancock and remits principal payments collected from homeowners to Hancock. At June 30, 2015 and 2014, Habitat had paid Hancock \$15,364 and \$46,416, respectively, more than related principal payments collected. Habitat is ultimately liable to Hancock for principal amounts on related residential mortgage loans should a default on an individual mortgage loan occur. Although contingently liable, management of Habitat does not anticipate any losses associated with this contingency as the value of homes provided as collateral for the individual mortgage loans significantly exceeds the related aggregate principal balance due to Hancock under this agreement. As additional security to Hancock, Habitat gave a valid and enforceable first mortgage encumbering certain land owned by Habitat to Hancock.

(11) Revolving Credit Loan Agreement

On June 30, 2014, Habitat entered into a revolving credit loan agreement with a financial institution which provides for a maximum line of credit of \$500,000. No advances had been made to Habitat under this agreement as of June 30, 2015. Subsequently through October 1, 2015, \$200,000 was drawn on the line and \$50,000 repaid, with an outstanding principal balance of \$150,000 at October 1, 2015. The advances were used primarily to assist in paying off long-term debt described in Note 7. This line of credit is secured by mortgages receivable owned by Habitat.

(12) Reclassifications

Certain amounts for 2014 have been reclassified to conform with 2015 presentation.