

**FLOWER CITY HABITAT FOR
HUMANITY, INC.**

**Financial Statements
as of June 30, 2013 and 2012
Together with
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

October 17, 2013

To the Board of Directors of
Flower City Habitat for Humanity, Inc.:

We have audited the accompanying statements of financial position of Flower City Habitat for Humanity, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and change in net assets 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flower City Habitat for Humanity, Inc. as of June 30, 2013 and 2012 and the change in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Roger D. Giacco Her : Barnewing CPA

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS	<u>2013</u>	<u>2012</u>	LIABILITIES AND NET ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 138,663	\$ 70,448	Current portion of notes payable - affiliate	\$ 82,684	\$ 63,435
Current portion of mortgages receivable	187,097	189,561	Line-of-credit	41,977	94,637
Accounts receivable	121,618	57,585	Current portion of capital lease obligation	5,921	5,653
Grants receivable	120,000	191,700	Accounts payable	84,006	76,091
Prepaid expenses and other current assets	<u>3,722</u>	<u>4,160</u>	Accrued expenses and other payables	<u>22,899</u>	<u>22,384</u>
Total current assets	<u>571,100</u>	<u>513,454</u>	Total current liabilities	<u>237,487</u>	<u>262,200</u>
PROPERTY AND EQUIPMENT:					
Land	40,000	40,000			
Building and improvements	763,039	763,039			
Vehicles	97,398	86,847			
Office equipment	110,573	110,573			
Building equipment	<u>64,130</u>	<u>58,686</u>	LONG-TERM LIABILITIES:		
	1,075,140	1,059,145	Notes payable - affiliate, net of current portion	301,153	255,529
Less: Accumulated depreciation	<u>(358,612)</u>	<u>(311,209)</u>	Capital lease obligation, net of current portion	<u>12,694</u>	<u>18,616</u>
	<u>716,528</u>	<u>747,936</u>		<u>313,847</u>	<u>274,145</u>
			Total liabilities	<u>551,334</u>	<u>536,345</u>
OTHER ASSETS:			NET ASSETS:		
Mortgages receivable, net of current portion	2,500,564	2,491,376	Unrestricted net assets	3,594,231	3,578,068
Construction in progress	215,650	387,398	Temporarily restricted net assets	<u>337,400</u>	<u>327,741</u>
Homes available for sale, net of discount of \$228,490 and \$63,155 in 2013 and 2012, respectively	178,227	45,755	Total net assets	<u>3,931,631</u>	<u>3,905,809</u>
Cash and investments restricted for tithe fund	232,970	223,311			
Cash and investments restricted for building reserves fund	44,430	14,430			
Assets that are limited to use	<u>23,496</u>	<u>18,494</u>			
Total other assets	<u>3,195,337</u>	<u>3,180,764</u>			
	<u>\$ 4,482,965</u>	<u>\$ 4,442,154</u>		<u>\$ 4,482,965</u>	<u>\$ 4,442,154</u>

The accompanying notes are an integral part of these statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
SUPPORT:		
House sponsorships	\$ 508,751	\$ 475,914
Fundraising and donations	476,167	472,487
Homebuilding grants	301,403	257,140
Other support	16,062	25,949
	<u>1,302,383</u>	<u>1,231,490</u>
REVENUES:		
Sale of homes	427,000	405,002
Mortgage receivable discount amortization	245,251	231,240
ReStore income	449,279	355,646
Gain (loss) on investments	15,576	(10,661)
Interest income	6,865	9,755
Miscellaneous income	17,938	19,565
	<u>1,161,909</u>	<u>1,010,547</u>
NET ASSETS RELEASED FROM (PLACED UNDER) RESTRICTION	<u>(9,659)</u>	<u>13,478</u>
Total increases	<u>2,454,633</u>	<u>2,255,515</u>
EXPENSES:		
Cost of homes sold	764,459	713,677
Discount on mortgages receivable	215,193	240,234
Change in discount on homes available for sale	165,335	(90,858)
Program services:		
Restore	355,412	391,621
Construction overhead and other	265,338	246,571
General and administrative	369,063	365,499
Fundraising	303,670	351,430
Total decreases	<u>2,438,470</u>	<u>2,218,174</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>16,163</u>	<u>37,341</u>
TEMPORARILY RESTRICTED NET ASSETS		
NET ASSETS PLACED UNDER (RELEASED FROM) RESTRICTION	<u>9,659</u>	<u>(13,478)</u>
CHANGE IN NET ASSETS	25,822	23,863
NET ASSETS, beginning of year	<u>3,905,809</u>	<u>3,881,946</u>
NET ASSETS, end of year	<u>\$ 3,931,631</u>	<u>\$ 3,905,809</u>

The accompanying notes are an integral part of these statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Support and contributions received	\$ 1,374,083	\$ 1,216,938
Mortgage payments received	335,698	437,049
Cash received from ReStore sales	449,279	355,646
Interest and other income received	24,803	29,320
Cash paid to suppliers	(767,602)	(726,210)
Cash paid to employees	(659,465)	(698,019)
Cash paid for operating expenses	(344,740)	(417,773)
Cash paid for fundraising events	(88,676)	(69,798)
Cash paid for ReStore expenses	(131,558)	(167,400)
Cash paid for homeowner escrow deficiencies	(64,033)	(9,296)
Interest paid	<u>(21,053)</u>	<u>(21,762)</u>
Net cash flow from operating activities	<u>106,736</u>	<u>(71,305)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net withdrawals from tithe fund	5,917	2,817
Net (deposits) withdrawals from building reserves fund	(30,000)	970
Purchases of property and equipment	<u>(15,995)</u>	<u>(38,095)</u>
Net cash flow from investing activities	<u>(40,078)</u>	<u>(34,308)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
(Repayments) borrowings on line-of-credit, net	(52,660)	94,637
Repayment of notes payable - affiliate	(63,427)	(68,376)
Borrowings of notes payable - affiliate	128,300	-
Borrowing of capital lease obligation	-	29,667
Repayment of capital lease obligation	(5,654)	(5,398)
Net change in due from affiliate	<u>(5,002)</u>	<u>4,089</u>
Net cash flow from financing activities	<u>1,557</u>	<u>54,619</u>
CHANGE IN CASH AND CASH EQUIVALENTS	68,215	(50,994)
CASH AND CASH EQUIVALENTS - beginning of year	<u>70,448</u>	<u>121,442</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 138,663</u>	<u>\$ 70,448</u>

(Continued)

The accompanying notes are an integral part of these statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(Continued)

	<u>2013</u>	<u>2012</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 25,822	\$ 23,863
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	47,403	45,131
Discount on mortgages receivable	215,193	240,234
Amortization of discount on mortgages receivable	(245,251)	(231,240)
Change in discount on homes available for sale	165,335	(90,858)
Loss (gain) on investments	(15,576)	10,661
Bad debts	-	3,500
Change in:		
Mortgages receivable	23,334	28,772
Accounts receivable	(64,033)	23,625
Grants receivable	71,700	(50,973)
Prepaid expenses and other current assets	438	(575)
Construction in progress	171,748	(161,721)
Homes available for sale	(297,807)	149,163
Accounts payable	7,915	(64,679)
Accrued expenses and other payables	515	3,792
	<u> </u>	<u> </u>
Net cash flow from operating activities	<u>\$ 106,736</u>	<u>\$ (71,305)</u>

The accompanying notes are an integral part of these statements.

FLOWER CITY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 AND 2012

1. ORGANIZATION

Flower City Habitat for Humanity, Inc. (the Organization) was established and incorporated in November 1984. The Organization is a non-profit corporation whose purpose is to develop a better habitat in which to work and live for economically disadvantaged people. This is accomplished by working with these people to build or rehabilitate homes and subsequently providing non-interest bearing mortgages on these residences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting -

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Financial Reporting -

The Organization categorizes net assets and activities as unrestricted, temporarily restricted, or permanently restricted. At June 30, 2013 and 2012, the Organization reported net assets as follows:

- Unrestricted - Unrestricted net assets include operating resources available for the support of operating activities.
- Temporarily Restricted - Temporarily restricted net assets include resources donated to the Organization subject to time or purpose restrictions as defined by the donor. As of June 30, 2012, \$71,506 of net assets reported as unrestricted net assets in the prior year financial statements were properly reclassified to temporarily restricted.
- Permanently Restricted - Permanently restricted net assets include resources subject to donor-imposed restrictions that may be maintained permanently by the Organization. There were no permanently restricted net assets at June 30, 2013 or 2012.

Cash and Cash Equivalents -

The Organization's cash and cash equivalents consist of bank deposit and money market accounts. These accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Accounts Receivable -

Accounts receivable consists of amounts to be received from the Organization's mortgage servicer for deficiencies in homeowner's escrow accounts that are paid by the Organization initially, and reimbursed through homeowner escrow payments. No allowance for doubtful accounts was deemed necessary at June 30, 2013 or 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable -

Grants receivable consists of Government and New York State grants awarded to the Organization to assist in subsidizing the cost of homebuilding. The grant revenue is earned by the Organization upon the sale of a home. As of June 30, 2013 and 2012, there was \$120,000 and \$191,700, respectively, of grants that had not been received by the Organization as of year-end. Management believes that all amounts will be fully collectible and therefore no allowance for doubtful accounts is deemed necessary.

Construction in Progress -

Construction in progress consists of homes owned by the Organization that are currently under construction or renovation. These homes are valued at the lower of cost or anticipated sales price.

Homes Available for Sale -

Homes available for sale consist of homes owned by the Organization that are valued at the lower of cost or anticipated sales price. As of the statement of financial position date, these homes are either awaiting closing or the current tenants are in a probationary period prior to being eligible for ownership.

Mortgages Receivable -

The Organization discounts its mortgages receivable. In accordance with instructions from Habitat for Humanity International, Inc., the Organization does not charge interest on the mortgages on houses sold to homeowners. By discounting the mortgages receivable, the Organization records the mortgages at the present value of the note payments to be received in the future. Imputed rates of interest that are used in computing the discount vary between 5% and 10% depending on the origination date of the mortgage, and are provided to the Organization by Habitat for Humanity International, Inc. on an annual basis. The difference between the face amount of the mortgage and its present value is accounted for as a discount and charged to expense in the initial year of the mortgage. The discount is then amortized over the life of the mortgage using the interest method and is reported as mortgage discount amortization in the statement of activities and change in net assets.

Property and Equipment -

It is the Organization's policy to capitalize property and equipment over \$1,000. Purchased property and equipment is stated at cost and depreciated using the straight-line method. The assets are depreciated over their estimated useful lives, ranging from three to thirty-nine years. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Investments -

Cash and investments restricted for the Organization's title and building reserve funds represent cash and investments restricted for certain purposes. The cash and investments consist of money market and mutual funds.

The Organization's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

All of the Organizations' investments are measured at fair value on a recurring basis utilizing level one inputs.

Support and Revenue -

Contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as temporarily restricted support 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 statement of activities as net assets released from restrictions.

Endowment contributions are recorded as permanently restricted. Investment earnings available for distribution are recorded in temporarily restricted net assets until appropriated for use. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of non-cash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Fair Value Measurement -

The Organization follows the provisions of ASC (Accounting Standards Codification) Topic 820-10, *Fair Value Measurements*. ASC Topic 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820-10 are described below:

- Level 1 - Valuations based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.

All of the Organization's investments are valued utilizing level 1 inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued) -

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

The Organization has no assets or liabilities that are valued utilizing level 2 inputs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization has no assets or liabilities that are valued utilizing level 3 inputs.

Events Occurring After Reporting Date -

The Organization has evaluated events and transactions that occurred between June 30, 2012 and October 17, 2013, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No such events or transactions were identified.

Income Taxes -

The Organization has received a letter of determination from the Internal Revenue Service advising it that it qualifies as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization follows the provisions of ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of June 30, 2013, the Organization has not recorded any provisions for accrued interest and penalties related to uncertain tax positions. By statute, tax years 2009 through 2012 remain open to examination by the major taxing jurisdictions to which the Organization is subject.

Estimates -

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

Reclassifications -

Certain amounts have been reclassified in the prior year to conform to the current year presentation.

3. MORTGAGES RECEIVABLE

Mortgages receivable secured by real estate, due on various dates with no interest, consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Mortgages receivable	\$ 5,488,866	\$ 5,512,201
Discounts on non-interest bearing notes	<u>(2,801,205)</u>	<u>(2,831,264)</u>
	2,687,661	2,680,937
Less: Current portion	<u>(187,097)</u>	<u>(189,561)</u>
	<u>\$ 2,500,564</u>	<u>\$ 2,491,376</u>

The following are future maturities of mortgages receivable, net of discount, as of June 30, 2013:

	<u>Mortgage</u>	<u>Discount</u>	<u>Net</u>
2014	\$ 394,903	\$ (207,806)	\$ 187,097
2015	387,706	(204,368)	183,338
2016	376,973	(199,583)	177,390
2017	369,252	(188,730)	180,522
2018	353,856	(177,656)	176,200
Thereafter.....	<u>3,606,176</u>	<u>(1,823,062)</u>	<u>1,783,114</u>
	<u>\$ 5,488,866</u>	<u>\$(2,801,205)</u>	<u>\$ 2,687,661</u>

4. LINE-OF-CREDIT

The Organization has a line of credit agreement with a bank. Under the terms of the agreement, the Organization may borrow up to \$200,000. Amounts borrowed bear interest at the prime rate (3.25% as of June 30, 2013 and 2012) and are due on demand. The line-of-credit is secured by substantially all present and future assets of the Organization. There was \$41,977 and \$94,637 outstanding at June 30, 2013 and 2012 respectively.

5. NOTES PAYABLE - AFFILIATE

The following notes are payable to Habitat for Humanity International, Inc. as of June 30:

	<u>2013</u>	<u>2012</u>
Note payable in the original principal amount of \$176,500 requiring monthly payments of \$2,419 including interest at 4.0%. Final payment is due December 2014.	\$ 42,067	\$ 68,747
Note payable in the original principal amount of \$285,200 requiring monthly payments of \$4,038 including interest at 4.95%. Final payment is due June 2018.	213,470	250,217
Note payable in the original principal amount of \$128,300 requiring monthly payments of \$1,747 including interest at 3.80%. Final payment is due June 2020.	<u>128,300</u>	<u>-</u>
	383,837	318,964
Less: Current portion	<u>(82,684)</u>	<u>(63,435)</u>
	<u>\$ 301,153</u>	<u>\$ 255,529</u>

The notes payable are collateralized by security interests in specific mortgage receivables. The Organization is required to meet financial covenants of maintaining minimum net assets of \$250,000 and raising at least 50% of its annual support from local sources. The Organization was in compliance with these covenants as of and for the years ended June 30, 2013 and 2012, respectively.

Future required payments due under the terms of these notes are as follows at June 30, 2013:

	<u>Amount</u>
2014	\$ 82,684
2015	71,790
2016	60,189
2017	60,867
2018	61,572
Thereafter.....	<u>46,735</u>
	<u>\$ 383,837</u>

6. CAPITAL LEASE OBLIGATION

In January 2012, the Organization entered into a capital lease obligation to finance the purchase of a vehicle, as follows:

	<u>2013</u>	<u>2012</u>
Capital lease obligation requiring annual payments of \$6,801, including interest at 4.73%, through January 2017. The related vehicle is collateral to the obligation.	\$ 18,615	\$ 24,269
Less: Current portion	<u>(5,921)</u>	<u>(5,653)</u>
	<u>\$ 12,694</u>	<u>\$ 18,616</u>

Future required payments due under the terms of the capital lease obligation are as follows at June 30, 2013:

	<u>Amount</u>
2014	\$ 6,801
2015	6,801
2016	<u>6,801</u>
	20,403
Less: amounts representing interest	<u>(1,788)</u>
	<u>\$ 18,615</u>

7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes as of June 30:

	<u>2013</u>	<u>2012</u>
Tithe fund	\$ 232,970	\$ 223,311
Building reserves fund	<u>104,430</u>	<u>104,430</u>
	<u>\$ 337,400</u>	<u>\$ 327,741</u>

Temporarily restricted net assets released from (placed under) restriction were as follows during the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Tithe fund	<u>\$ (9,659)</u>	<u>\$ 13,478</u>

7. RESTRICTIONS ON NET ASSETS (CONTINUED)

The tithe fund amounts are restricted by the donor for use in supplementing the Organization's tithing to Habitat for Humanity International. Annually, amounts are released to unrestricted funds for this purpose based on the discretion of the Organization's Board of Directors.

The building reserves fund is restricted by the donor for use as an internal line-of-credit that is used by the Organization to fund the construction of homes while awaiting infrastructure and federal home loan payments. The fund is replenished as soon as these payments are received, with the balance in the fund equaling a minimum of \$100,000 plus interest earned thereon. At June 30, 2012, the temporarily restricted amount totaled \$104,430, which included principal of \$100,000 and earnings of \$4,430. At June 30, 2013 and 2012, the Organization had loans of \$60,000 and \$90,000, respectively, from this fund.

8. ASSETS THAT ARE LIMITED TO USE

Assets that are limited to use include amounts set aside as required by Habitat for Humanity International, Inc. for future repayment of debt.

The debt service reserve accounts held by Habitat for Humanity International, Inc. are available for unrestricted use in:

	<u>Amount</u>
Periods after June 30, 2014	\$ 6,740
Periods after June 30, 2017	12,114
Periods after June 30, 2019	<u>4,642</u>
	<u>\$ 23,496</u>

9. DONATED SERVICES

The Organization receives a significant amount of donated services from unpaid volunteers who assist in home rehabilitation/construction, fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

10. COMMITMENTS AND CONTINGENCIES

Under loan commitment agreements with an affiliate, the Organization is required to set aside unrestricted funds equal to one quarterly loan payment. The amount is being held by the affiliate in a reserve account. These funds are to be returned to the Organization upon full payment of the outstanding principal balance of the loan.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

(With Comparative Totals for 2012)

	<u>Program</u>					<u>Total</u>	
	<u>ReStore</u>	<u>Construction</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2013</u>	<u>2012</u>
		<u>Overhead and Other</u>					
Salaries	\$ 155,006	\$ 87,841	\$ 242,847	\$ 172,340	\$ 151,607	\$ 566,794	\$ 615,960
Employee benefits	29,728	23,413	53,141	25,992	10,861	89,994	84,087
Fundraising events	-	-	-	-	81,378	81,378	69,804
Tithe to Habitat International	-	-	-	70,992	-	70,992	65,992
Insurance	20,981	8,171	29,152	12,808	13,057	55,017	69,297
Payroll taxes	16,446	9,919	26,365	14,876	13,436	54,677	58,684
Depreciation and amortization	19,544	8,897	28,441	9,481	9,481	47,403	45,131
Legal and accounting	-	30,308	30,308	7,075	-	37,383	10,702
Small tools and supplies	30,005	7,108	37,113	-	-	37,113	32,319
Utilities	22,929	-	22,929	-	-	22,929	22,036
Bank charges	-	-	-	21,977	-	21,977	17,663
Auto	10,173	11,428	21,601	-	-	21,601	22,396
Mortgage outsourcing fees	-	21,422	21,422	-	-	21,422	18,927
Interest	16,052	-	16,052	5,001	-	21,053	21,762
Office supplies and expenses	74	7,725	7,799	5,517	5,218	18,534	14,552
Equipment maintenance	6,043	4,052	10,095	3,473	3,241	16,809	20,542
Telephone	2,939	6,767	9,706	3,672	2,334	15,712	20,743
Family support	-	7,773	7,773	2,591	2,591	12,955	10,689
Training and seminars	1,117	1,580	2,697	5,780	3,200	11,677	5,380
Travel and entertainment	191	4,836	5,027	410	401	5,838	5,458
Promotion and public relations	4,171	976	5,147	305	244	5,696	22,902
Postage and delivery	-	2,168	2,168	1,084	2,168	5,420	4,930
Temporary help and consulting	-	-	-	918	3,672	4,590	11,915
Building repair and maintenance	4,028	-	4,028	-	-	4,028	6,319
Cleaning	1,206	-	1,206	2,513	-	3,719	8,060
Real estate taxes	1,878	1,494	3,372	-	-	3,372	4,853
Payroll processing fees	539	1,617	2,156	674	539	3,369	3,363
Membership dues	-	2,000	2,000	500	-	2,500	3,750
Property management	-	1,394	1,394	-	-	1,394	908
Dues and subscriptions	-	203	203	101	203	507	783
Social media	-	-	-	-	39	39	16,546
Bad debts	-	-	-	-	-	-	3,500
Miscellaneous	12,362	14,246	26,608	983	-	27,591	35,168
	<u>\$ 355,412</u>	<u>\$ 265,338</u>	<u>\$ 620,750</u>	<u>\$ 369,063</u>	<u>\$ 303,670</u>	<u>\$ 1,293,483</u>	<u>\$ 1,355,121</u>

The accompanying notes are an integral part of this exhibit.