

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

**Financial Statements  
as of June 30, 2014 and 2013  
Together with  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

October 16, 2014

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

We have audited the accompanying financial statements of Flower City Habitat for Humanity, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, 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, 2014 and 2013 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 statement of functional expenses on page 14 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.

*Rizzo DiBiasio Her: Banerjee CPA's*

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

ASSETS	<u>2014</u>	<u>2013</u>	LIABILITIES AND NET ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 146,628	\$ 138,663	Current portion of notes payable - affiliate	\$ 57,509	\$ 82,684
Current portion of mortgages receivable	185,817	187,097	Line-of-credit	111,827	41,977
Accounts receivable, net	147,500	121,618	Current portion of capital lease obligation	2,630	5,921
Grants receivable	220,000	120,000	Accounts payable	96,600	84,006
Prepaid expenses and other current assets	<u>2,387</u>	<u>3,722</u>	Accrued expenses and other payables	<u>43,062</u>	<u>22,899</u>
Total current assets	<u>702,332</u>	<u>571,100</u>	Total current liabilities	<u>311,628</u>	<u>237,487</u>
PROPERTY AND EQUIPMENT:					
Land	40,000	40,000			
Building and improvements	767,569	763,039			
Vehicles	109,337	97,398			
Office equipment	119,133	110,573			
Building equipment	<u>66,213</u>	<u>64,130</u>	LONG-TERM LIABILITIES:		
	1,102,252	1,075,140	Notes payable - affiliate, net of current portion	229,345	301,153
Less: Accumulated depreciation	<u>(406,960)</u>	<u>(358,612)</u>	Capital lease obligation, net of current portion	<u>5,310</u>	<u>12,694</u>
	<u>695,292</u>	<u>716,528</u>		<u>234,655</u>	<u>313,847</u>
			Total liabilities	<u>546,283</u>	<u>551,334</u>
OTHER ASSETS:			NET ASSETS:		
Mortgages receivable, net of current portion	2,516,433	2,500,564	Unrestricted net assets	3,657,452	3,594,231
Construction in progress	97,487	215,650	Temporarily restricted net assets	<u>351,572</u>	<u>337,400</u>
Homes available for sale, net of discount of \$302,850 and \$228,490 in 2014 and 2013, respectively	254,837	178,227	Total net assets	<u>4,009,024</u>	<u>3,931,631</u>
Cash and investments restricted for tithe fund	247,142	232,970			
Cash and investments restricted for building reserves fund	24,430	44,430			
Assets that are limited to use	<u>17,354</u>	<u>23,496</u>			
Total other assets	<u>3,157,683</u>	<u>3,195,337</u>			
	<u>\$ 4,555,307</u>	<u>\$ 4,482,965</u>		<u>\$ 4,555,307</u>	<u>\$ 4,482,965</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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>UNRESTRICTED NET ASSETS</b>		
SUPPORT:		
House sponsorships	\$ 404,456	\$ 508,751
Fundraising and donations	848,080	476,167
Homebuilding grants	190,000	301,403
Other support	25,644	16,062
	<u>1,468,180</u>	<u>1,302,383</u>
REVENUES:		
Sale of homes	444,306	427,000
Mortgage receivable discount amortization	219,157	245,251
ReStore income	497,592	449,279
Gain on investments	18,844	15,576
Interest income	6,899	6,865
Miscellaneous income	37,691	17,938
	<u>1,224,489</u>	<u>1,161,909</u>
NET ASSETS RELEASED FROM (PLACED UNDER) RESTRICTION	<u>(14,172)</u>	<u>(9,659)</u>
Total increases	<u>2,678,497</u>	<u>2,454,633</u>
EXPENSES:		
Cost of homes sold	822,082	764,459
Discount on mortgages receivable	246,215	215,193
Change in discount on homes available for sale	74,360	165,335
Program services:		
ReStore	408,857	354,214
Construction overhead and other	346,428	265,338
General and administrative	473,944	363,995
Fundraising	243,390	309,936
Total decreases	<u>2,615,276</u>	<u>2,438,470</u>
INCREASE IN UNRESTRICTED NET ASSETS	63,221	16,163
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
NET ASSETS PLACED UNDER (RELEASED FROM) RESTRICTION	<u>14,172</u>	<u>9,659</u>
CHANGE IN NET ASSETS	77,393	25,822
NET ASSETS, beginning of year	<u>3,931,631</u>	<u>3,905,809</u>
NET ASSETS, end of year	<u>\$ 4,009,024</u>	<u>\$ 3,931,631</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Support and contributions received	\$ 1,368,180	\$ 1,374,083
Mortgage payments received	369,226	335,698
Proceeds from sale of home	17,307	-
Cash received from ReStore sales	497,592	449,279
Interest and other income received	44,590	24,803
Cash paid to suppliers	(824,107)	(767,602)
Cash paid to employees	(780,248)	(659,465)
Cash paid for operating expenses	(385,645)	(344,740)
Cash paid for fundraising events	(59,963)	(88,676)
Cash paid for ReStore expenses	(145,848)	(131,558)
Cash paid for homeowner escrow deficiencies	(42,282)	(64,033)
Interest paid	<u>(16,731)</u>	<u>(21,053)</u>
Net cash flow from operating activities	<u>42,071</u>	<u>106,736</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net withdrawals from tithe fund	4,672	5,917
Net withdrawals from (deposits to) building reserves fund	20,000	(30,000)
Purchases of property and equipment	<u>(27,112)</u>	<u>(15,995)</u>
Net cash flow from investing activities	<u>(2,440)</u>	<u>(40,078)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
(Repayments) borrowings on line-of-credit, net	69,850	(52,660)
Repayment of notes payable - affiliate	(96,983)	(63,427)
Borrowings of notes payable - affiliate	-	128,300
Borrowings of capital lease obligation	7,940	-
Repayment of capital lease obligation	(18,615)	(5,654)
Net change in due from affiliate	<u>6,142</u>	<u>(5,002)</u>
Net cash flow from financing activities	<u>(31,666)</u>	<u>1,557</u>
CHANGE IN CASH AND CASH EQUIVALENTS	7,965	68,215
CASH AND CASH EQUIVALENTS - beginning of year	<u>138,663</u>	<u>70,448</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 146,628</u>	<u>\$ 138,663</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, 2014 AND 2013  
 (Continued)

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 77,393	\$ 25,822
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	48,348	47,403
Discount on mortgages receivable	246,215	215,193
Amortization of discount on mortgages receivable	(219,157)	(245,251)
Change in discount on homes available for sale	74,360	165,335
Gain on investments	(18,844)	(15,576)
Bad debts	16,400	-
Change in:		
Mortgages receivable	(41,647)	23,334
Accounts receivable	(42,282)	(64,033)
Grants receivable	(100,000)	71,700
Prepaid expenses and other current assets	1,335	438
Construction in progress	118,163	171,748
Homes available for sale	(150,970)	(297,807)
Accounts payable	12,594	7,915
Accrued expenses and other payables	20,163	515
	<u>42,071</u>	<u>106,736</u>
Net cash flow from operating activities	\$ <u>42,071</u>	\$ <u>106,736</u>

The accompanying notes are an integral part of these statements.

## FLOWER CITY HABITAT FOR HUMANITY, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

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#### 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, 2014 and 2013, 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.
- 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, 2014 or 2013.

##### 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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. The Company recorded an allowance for doubtful accounts of \$16,400 at June 30, 2014. No allowance for doubtful accounts was deemed necessary at June 30, 2013.

### 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, 2014 and 2013, there was \$220,000 and \$120,000, 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, as defined below.

### 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. The Organization has not received any endowment contributions.

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, 2014 and October 16, 2014, 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, 2014 and 2013, the Organization has not recorded any provisions for accrued interest and penalties related to uncertain tax positions. By statute, tax years 2010 through 2013 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>2014</u>	<u>2013</u>
Mortgages receivable	\$ 5,503,418	\$ 5,488,866
Discounts on non-interest bearing notes	<u>(2,801,168)</u>	<u>(2,801,205)</u>
	2,702,250	2,687,661
Less: Current portion	<u>(185,817)</u>	<u>(187,097)</u>
	<u>\$ 2,516,433</u>	<u>\$ 2,500,564</u>

The following are future maturities of mortgages receivable, net of discount, as of June 30, 2014:

	<u>Mortgage</u>	<u>Discount</u>	<u>Net</u>
2015 .....	\$ 393,100	\$ (207,283)	\$ 185,817
2016 .....	386,353	(204,460)	181,893
2017 .....	379,978	(194,805)	185,173
2018 .....	368,327	(184,057)	184,270
2019 .....	353,348	(176,941)	176,407
Thereafter.....	<u>3,622,312</u>	<u>(1,833,622)</u>	<u>1,788,690</u>
	<u>\$ 5,503,418</u>	<u>\$(2,801,168)</u>	<u>\$ 2,702,250</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, 2014 and 2013) and are due on demand. The line-of-credit is secured by substantially all present and future assets of the Organization. There was \$111,827 and \$41,977 outstanding at June 30, 2014 and 2013, respectively.

## 5. NOTES PAYABLE - AFFILIATE

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

	<u>2014</u>	<u>2013</u>
Note payable in the original principal amount of \$176,500 requiring monthly payments of \$2,419 including interest at 4.0%. The note was paid in full during fiscal 2014.	\$ -	\$ 42,067
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.	174,870	213,470
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>111,984</u>	<u>128,300</u>
	286,854	383,837
Less: Current portion	<u>(57,509)</u>	<u>(82,684)</u>
	<u>\$ 229,345</u>	<u>\$ 301,153</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, 2014 and 2013, respectively.

Future required payments due under the terms of these notes are as follows at June 30, 2014:

	<u>Amount</u>
2015 .....	\$ 57,509
2016 .....	60,189
2017 .....	60,867
2018 .....	61,572
2019 .....	26,246
Thereafter.....	<u>20,471</u>
	<u>\$ 286,854</u>

**6. CAPITAL LEASE OBLIGATION**

The Organization has entered into capital lease obligations as follows:

	<u>2014</u>	<u>2013</u>
Capital lease obligation that required annual payments of \$6,801, including interest at 4.73%, through January 2017. The related vehicle was collateral to the obligation. The obligation was paid in full during fiscal 2014.	\$ -	\$ 18,615
Capital lease obligation entered into during 2014 to finance the acquisition of computers. The lease requires monthly payments of \$256, including interest at 9.96%, through June 2017. The related computer equipment is collateral to the obligation.	<u>7,940</u>	<u>-</u>
	7,940	18,615
Less: Current portion	<u>(2,630)</u>	<u>(5,921)</u>
	<u>\$ 5,310</u>	<u>\$ 12,694</u>

Future required payments due under the terms of the capital lease obligation are as follows at June 30, 2014:

	<u>Amount</u>
2015 .....	\$ 3,072
2016 .....	3,072
2017 .....	<u>3,072</u>
	9,216
Less: amounts representing interest	<u>(1,276)</u>
	<u>\$ 7,940</u>

## 7. RESTRICTIONS ON NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Tithe fund	\$ 247,142	\$ 232,970
Building reserves fund	<u>104,430</u>	<u>104,430</u>
	<u>\$ 351,572</u>	<u>\$ 337,400</u>

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

	<u>2014</u>	<u>2013</u>
Tithe fund	\$ <u>(14,172)</u>	\$ <u>(9,659)</u>

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, federal home loan payments, and other post-closing government grant funding. 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, 2014 and 2013, the temporarily restricted amount totaled \$104,430, which included principal of \$100,000 and earnings of \$4,430. At June 30, 2014 and 2013, the Organization had loans of \$80,000 and \$60,000, 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, 2017	\$ 12,114
Periods after June 30, 2019	<u>5,240</u>
	<u>\$ 17,354</u>

## **9. DONATED SERVICES**

The Organization values all donations of materials and professional services at fair market value when received. Revenue and expenses related to donated goods and services are recognized at the time such goods are received or services are rendered. Total contributed goods and services were \$25,644 and \$16,062 for the years ended June 30, 2014 and 2013, respectively.

The Organization also 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 met.

## **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, 2014**

(With Comparative Totals for 2013)

	<u>Program</u>			<u>Total</u>			
	<u>ReStore</u>	<u>Construction</u>	<u>Total</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>2014</u>	<u>2013</u>
		<u>Overhead and</u> <u>Other</u>					
Salaries	\$ 210,815	\$ 140,531	\$ 351,346	\$ 248,142	\$ 97,752	\$ 697,240	\$ 566,794
Employee benefits	27,020	22,442	49,462	24,961	18,201	92,624	89,994
Insurance	20,188	33,916	54,104	13,045	5,218	72,367	55,017
Payroll taxes	19,297	9,300	28,597	21,701	14,766	65,064	54,677
Fundraising events	-	-	-	-	60,683	60,683	81,378
Depreciation and amortization	19,992	9,016	29,008	9,670	9,670	48,348	47,403
Tithe and support fees paid to Habitat International	-	-	-	45,492	-	45,492	70,992
Temporary help and consulting	1,939	18,612	20,551	12,674	9,695	42,920	4,590
Legal and accounting	-	32,715	32,715	7,075	-	39,790	37,383
Equipment maintenance	10,373	7,409	17,782	10,977	7,409	36,168	16,809
Small tools and supplies	24,905	4,695	29,600	-	-	29,600	37,113
Utilities	13,339	-	13,339	13,338	-	26,677	22,929
Mortgage outsourcing fees	-	10,493	10,493	10,490	-	20,983	21,422
Bank charges	10,266	-	10,266	3,598	6,266	20,130	21,977
Auto	12,027	8,059	20,086	-	-	20,086	21,601
Bad debts	-	-	-	16,400	-	16,400	-
Building repair and maintenance	6,952	-	6,952	10,855	-	17,807	4,028
Office supplies and expenses	2,434	4,867	7,301	5,215	5,026	17,542	18,534
Interest	8,627	-	8,627	8,104	-	16,731	21,053
Telephone	3,167	5,211	8,378	2,803	3,852	15,033	15,712
Family support	-	4,818	4,818	1,204	-	6,022	12,955
Travel and entertainment	521	4,047	4,568	728	695	5,991	5,838
Real estate taxes	2,244	3,137	5,381	-	-	5,381	3,372
Postage and delivery	728	1,091	1,819	910	1,819	4,548	5,420
Training and seminars	-	895	895	1,733	1,327	3,955	11,677
Promotion and public relations	2,859	694	3,553	217	173	3,943	5,696
Property management	-	3,814	3,814	-	-	3,814	1,394
Payroll processing fees	534	1,069	1,603	1,424	534	3,561	3,369
Cleaning	764	-	764	2,056	-	2,820	3,719
Membership dues	-	2,000	2,000	500	-	2,500	2,500
Dues and subscriptions	-	132	132	65	132	329	507
Social media	-	-	-	-	172	172	39
Miscellaneous	9,866	17,465	27,331	567	-	27,898	27,591
	<u>\$ 408,857</u>	<u>\$ 346,428</u>	<u>\$ 755,285</u>	<u>\$ 473,944</u>	<u>\$ 243,390</u>	<u>\$ 1,472,619</u>	<u>\$ 1,293,483</u>

The accompanying notes are an integral part of this exhibit.