

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

**Financial Statements  
as of June 30, 2016 and 2015  
Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

November 3, 2016

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 New York non-profit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

### **Auditor's 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, 2016 and 2015 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 audits were 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.

*Roger DiGianni, CPA : Barinewicz CPAs*

Pittsford, New York

FLOWER CITY HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 353,260	\$ 359,549
Current portion of mortgages receivable	170,762	178,695
Accounts receivable, net	97,530	194,056
Grants receivable, net	70,000	225,977
Prepaid expenses and other current assets	<u>6,897</u>	<u>4,345</u>
Total current assets	<u>698,449</u>	<u>962,622</u>
PROPERTY AND EQUIPMENT:		
Land	40,000	40,000
Building and improvements	769,035	769,035
Vehicles	120,769	109,337
Office equipment	141,959	137,585
Building equipment	<u>70,563</u>	<u>67,563</u>
	1,142,326	1,123,520
Less: accumulated depreciation	<u>(510,720)</u>	<u>(458,479)</u>
	<u>631,606</u>	<u>665,041</u>
OTHER ASSETS:		
Mortgages receivable, net of current portion	2,359,160	2,437,505
Construction in progress	497,828	472,149
Homes available for sale, net of discount of \$119,363 and \$190,994 in 2016 and 2015, respectively	72,599	171,422
Cash and investments restricted for tithe fund	223,277	231,184
Cash and investments restricted for building reserve fund	24,569	9,569
Assets that are limited to use	<u>17,354</u>	<u>17,354</u>
Total other assets	<u>3,194,787</u>	<u>3,339,183</u>
	<u>\$ 4,524,842</u>	<u>\$ 4,966,846</u>

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES:		
Current portion of notes payable - affiliate	\$ 77,484	\$ 60,189
Line-of-credit	601	203,928
Current portion of capital lease obligation	3,365	3,029
Accounts payable	124,102	111,271
Accrued expenses and other payables	<u>28,456</u>	<u>35,851</u>
Total current liabilities	<u>234,008</u>	<u>414,268</u>
LONG-TERM LIABILITIES:		
Notes payable - affiliate, net of current portion	272,290	169,175
Capital lease obligation, net of current portion	<u>598</u>	<u>3,961</u>
Total long-term liabilities	<u>272,888</u>	<u>173,136</u>
Total liabilities	<u>506,896</u>	<u>587,404</u>
NET ASSETS:		
Unrestricted net assets	3,681,533	4,023,689
Temporarily restricted net assets	<u>336,413</u>	<u>355,753</u>
Total net assets	<u>4,017,946</u>	<u>4,379,442</u>
	<u>\$ 4,524,842</u>	<u>\$ 4,966,846</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS</b>		
SUPPORT:		
House sponsorships	\$ 515,762	\$ 485,348
Fundraising and donations	568,885	825,857
Homebuilding grants	115,000	75,977
Other support	23,732	2,743
	<u>1,223,379</u>	<u>1,389,925</u>
REVENUES:		
Sale of homes	730,028	495,000
Mortgage receivable discount amortization	216,621	211,713
ReStore income	526,707	487,741
Loss on investments	(7,841)	(13,699)
Interest income	10,101	8,739
Miscellaneous income	29,569	62,508
	<u>1,505,185</u>	<u>1,252,002</u>
NET ASSETS RELEASED FROM (PLACED UNDER) RESTRICTION	<u>19,340</u>	<u>(4,181)</u>
Total increases	<u>2,747,904</u>	<u>2,637,746</u>
EXPENSES:		
Cost of homes sold	1,159,021	743,109
Discount on mortgages receivable	373,804	247,625
Change in discount on homes available for sale	(71,631)	(111,856)
Program services:		
ReStore	418,654	412,737
Construction overhead and other	623,594	405,692
General and administrative	293,186	308,258
Fundraising	293,432	265,944
Total decreases	<u>3,090,060</u>	<u>2,271,509</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(342,156)	366,237
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
NET ASSETS PLACED UNDER (RELEASED FROM) RESTRICTION	<u>(19,340)</u>	<u>4,181</u>
CHANGE IN NET ASSETS	(361,496)	370,418
NET ASSETS, beginning of year	<u>4,379,442</u>	<u>4,009,024</u>
NET ASSETS, end of year	<u>\$ 4,017,946</u>	<u>\$ 4,379,442</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Support and contributions received	\$ 1,257,327	\$ 1,383,948
Mortgage payments received	366,957	370,329
Proceeds from sale of homes	95,059	60,710
Cash received from ReStore sales	526,707	487,741
Interest and other income received	39,670	71,247
Cash paid to suppliers	(828,076)	(826,900)
Cash paid to employees	(684,641)	(678,793)
Cash paid for operating expenses	(395,565)	(341,460)
Cash paid for fundraising events	(107,288)	(64,594)
Cash paid for ReStore expenses	(190,186)	(186,079)
Cash received (paid) for homeowner escrow deficiencies	50,489	(75,141)
Interest paid	<u>(17,058)</u>	<u>(17,600)</u>
Net cash flow from operating activities	<u>113,395</u>	<u>183,408</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net withdrawals from tithe fund	66	2,259
Net (deposits) withdrawals from building reserves fund	(15,000)	14,861
Purchases of property and equipment	<u>(18,806)</u>	<u>(21,268)</u>
Net cash flow from investing activities	<u>(33,740)</u>	<u>(4,148)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
(Repayments) borrowings on line-of-credit, net	(203,327)	92,101
Repayment of notes payable - affiliate	(60,190)	(57,490)
Borrowings of notes payable - affiliate	180,600	-
Borrowings of capital lease obligation	-	1,423
Repayment of capital lease obligation	<u>(3,027)</u>	<u>(2,373)</u>
Net cash flow from financing activities	<u>(85,944)</u>	<u>33,661</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(6,289)	212,921
CASH AND CASH EQUIVALENTS - beginning of year	<u>359,549</u>	<u>146,628</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 353,260</u>	<u>\$ 359,549</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, 2016 AND 2015  
 (Continued)

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (361,496)	\$ 370,418
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	52,241	51,519
Discount on mortgages receivable	373,804	247,625
Amortization of discount on mortgages receivable	(216,621)	(211,713)
Change in discount on homes available for sale	(71,631)	(111,856)
Loss on investments	7,841	13,699
Bad debts	198,984	28,585
Change in:		
Mortgages receivable	(70,905)	50,138
Accounts receivable	(102,458)	(75,141)
Grants receivable	155,977	(5,977)
Prepaid expenses and other current assets	(2,552)	(1,958)
Construction in progress	(25,679)	(374,662)
Homes available for sale	170,454	195,271
Accounts payable	12,831	14,671
Accrued expenses and other payables	<u>(7,395)</u>	<u>(7,211)</u>
Net cash flow from operating activities	<u>\$ 113,395</u>	<u>\$ 183,408</u>

The accompanying notes are an integral part of these statements.

# FLOWER CITY HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 or 2015.

#### 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 \$19,200 at June 30, 2016 and 2015, respectively, based on historical collections and management's review of specific account balances.

### 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, 2016 and 2015, there was \$175,000 and \$225,977, respectively, of grants that had not been received by the Organization as of year-end. The Company recorded an allowance for doubtful accounts of \$105,000 at June 30, 2016, based on management's review of specific grants. No allowance was deemed necessary at June 30, 2015.

### 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 6% 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 revenue 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 Organization's 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 Accounting Standards Codification (ASC) 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, 2016 and November 3, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

### 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, 2016 and 2015, the Organization has not recorded any provisions for accrued interest and penalties related to uncertain tax positions. By statute, tax years 2012 through 2015 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.

### 3. MORTGAGES RECEIVABLE

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

	<u>2016</u>	<u>2015</u>
Mortgages receivable	\$ 5,374,997	\$ 5,408,379
Discounts on non-interest bearing notes	<u>(2,845,075)</u>	<u>(2,792,179)</u>
	2,529,922	2,616,200
Less: Current portion	<u>(170,762)</u>	<u>(178,695)</u>
	<u>\$ 2,359,160</u>	<u>\$ 2,437,505</u>

The following are future maturities of mortgages receivable, net of discount, as of June 30, 2016:

	<u>Mortgage</u>	<u>Discount</u>	<u>Net</u>
2017 .....	\$ 369,688	\$ (198,926)	\$ 170,762
2018 .....	361,330	(188,490)	172,840
2019 .....	349,387	(179,445)	169,942
2020 .....	339,857	(172,608)	167,249
2021 .....	317,200	(172,245)	144,955
Thereafter .....	<u>3,637,535</u>	<u>(1,933,361)</u>	<u>1,704,174</u>
	<u>\$ 5,374,997</u>	<u>\$(2,845,075)</u>	<u>\$ 2,529,922</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. The agreement was amended in October 2014, which increased the available borrowings to \$300,000. Amounts borrowed bear interest at the prime rate (3.50% and 3.25% as of June 30, 2016 and 2015, respectively) and are due on demand. The line-of-credit is secured by substantially all present and future assets of the Organization. There was \$601 and \$203,928 outstanding at June 30, 2016 and 2015, respectively.

## 5. NOTES PAYABLE - AFFILIATE

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

	<u>2016</u>	<u>2015</u>
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.	\$ 91,732	\$ 134,325
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.	77,442	95,039
Note payable in the original principal amount of \$180,600 requiring monthly payments of \$1,899 including interest at 4.75%. Final payment is due June 2026.	<u>180,600</u>	<u>-</u>
	349,774	229,364
Less: Current portion	<u>(77,484)</u>	<u>(60,189)</u>
	<u>\$ 272,290</u>	<u>\$ 169,175</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, 2016 and 2015, respectively.

Future required payments due under the terms of these notes are as follows at June 30, 2016:

	<u>Amount</u>
2017 .....	\$ 77,484
2018 .....	81,144
2019 .....	35,615
2020 .....	37,143
2021 .....	17,477
Thereafter.....	<u>100,911</u>
	<u>\$ 349,774</u>

**6. COMMITMENTS**

Capital Lease Obligation -

The Organization has entered into a capital lease obligation as follows:

	<u>2016</u>	<u>2015</u>
Capital lease obligation entered into to finance the acquisition of computers. The lease requires monthly payments of \$302, including interest at 10.56%, through August 2017. The related computer equipment is collateral to the obligation.	\$ 3,963	\$ 6,990
Less: Current portion	<u>(3,365)</u>	<u>(3,029)</u>
	<u>\$ 598</u>	<u>\$ 3,961</u>

Future required payments due under the terms of the capital lease obligation are as follows at June 30, 2016:

	<u>Amount</u>
2017 .....	\$ 3,623
2018 .....	<u>604</u>
	4,227
Less: amounts representing interest	<u>(264)</u>
	<u>\$ 3,963</u>

Facility Rent -

The Organization entered into a lease agreement with a third party for additional storage space for the ReStore. Monthly payments required under the terms of the lease agreement were \$1,375 through October 2014, at which point the agreement was extended for two additional single year terms through October 2016.

The Organization entered into a lease agreement for a second ReStore location. Monthly payments of \$8,813 will commence in January 2017 and will continue through December 2021.

Equipment Lease -

During fiscal 2016, the Organization entered into a new lease agreement for a copier. Under the terms of the lease, the Organization is required to make monthly payments of \$145 through October 2018. The Organization is also charged fees if monthly usage exceeds a predetermined amount under the agreement.

**6. COMMITMENTS (Continued)**

Future required payments due under the terms of the above lease obligations are as follows at June 30, 2016:

	<u>Amount</u>
2017 .....	\$ 71,958
2018 .....	113,336
2019 .....	106,338
2020 .....	105,756
2021 .....	105,756
Thereafter.....	<u>52,878</u>
	<u>\$ 556,022</u>

**7. RESTRICTIONS ON NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Tithe fund	\$ 223,277	\$ 231,184
Building reserves fund	104,569	104,569
Vehicles	<u>8,567</u>	<u>20,000</u>
	<u>\$ 336,413</u>	<u>\$ 355,753</u>

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

	<u>2016</u>	<u>2015</u>
Vehicles	\$ (11,433)	\$ 20,000
Tithe fund	(7,907)	(15,958)
Building reserves fund	<u>-</u>	<u>139</u>
	<u>\$ (19,340)</u>	<u>\$ 4,181</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 both June 30, 2016 and 2015, the temporarily restricted amount totaled \$104,569, which included principal of \$100,000 and earnings of \$4,569. At June 30, 2016 and 2015, the Organization had loans of \$80,000 and \$95,000, 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, 2018	\$ 12,114
Periods after June 30, 2020	<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 \$23,732 and \$2,743 for the years ended June 30, 2016 and 2015, 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. EMPLOYEE BENEFIT PLAN

The Organization sponsors a defined contribution plan. All employees are eligible for participation in the plan upon hire, and may voluntarily elect to contribute a percentage of their compensation to the plan, subject to the terms of the plan and certain established federal limitations. The Organization makes no matching or discretionary contributions to the plan at this time.

## 11. 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 (see Note 8). 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, 2016**  
(With Comparative Totals for 2015)

	<u>Program</u>				<u>Total</u>			
	<u>Construction</u>			<u>General and</u>	<u>Fundraising</u>	<u>2016</u>	<u>2015</u>	
	<u>ReStore</u>	<u>Overhead and</u>	<u>Total</u>					<u>Administrative</u>
		<u>Other</u>						
Salaries	\$ 201,244	\$ 151,837	\$ 353,081	\$ 155,437	\$ 103,405	\$ 611,923	\$ 590,818	
Bad debts	-	198,984	198,984	-	-	198,984	28,585	
Fundraising events	-	-	-	-	105,324	105,324	73,394	
Insurance	26,747	49,470	76,217	19,027	7,611	102,855	120,252	
Employee benefits	13,286	25,299	38,585	10,570	16,168	65,323	80,764	
Payroll taxes	20,822	7,612	28,434	17,760	14,084	60,278	60,408	
Depreciation and amortization	5,224	26,121	31,345	10,448	10,448	52,241	51,519	
Legal and accounting	-	43,445	43,445	7,902	-	51,347	39,941	
Equipment maintenance	9,808	9,750	19,558	14,443	9,750	43,751	33,631	
Small tools and supplies	34,418	3,540	37,958	-	-	37,958	38,389	
Temporary help and consulting	188	15,044	15,232	6,919	8,194	30,345	18,565	
Tithe and support fees paid to Habitat International	-	25,000	25,000	-	-	25,000	20,000	
Mortgage outsourcing fees	-	10,131	10,131	10,132	-	20,263	20,540	
Office supplies and expenses	2,687	5,339	8,026	5,860	5,646	19,532	13,947	
Telephone	3,365	8,120	11,485	4,101	2,603	18,189	16,051	
Family support	14,548	-	14,548	3,637	-	18,185	12,515	
Utilities	17,932	-	17,932	-	-	17,932	20,711	
Auto	10,311	7,593	17,904	-	-	17,904	16,653	
Bank charges	9,279	-	9,279	3,428	4,653	17,360	18,744	
Interest	5,328	-	5,328	11,730	-	17,058	17,600	
Promotion and public relations	6,543	4,679	11,222	1,462	1,170	13,854	3,929	
Lease expense	8,415	-	8,415	-	-	8,415	12,376	
Building repair and maintenance	8,048	-	8,048	-	-	8,048	10,419	
Postage and delivery	907	1,360	2,267	1,133	2,267	5,667	4,726	
Membership dues	-	4,000	4,000	1,000	-	5,000	5,023	
Payroll processing fees	635	1,269	1,904	1,691	635	4,230	3,735	
Training and seminars	1,612	600	2,212	1,581	235	4,028	13,255	
Cleaning	705	-	705	2,340	-	3,045	2,820	
Dues and subscriptions	-	860	860	430	859	2,149	859	
Travel and entertainment	285	1,113	1,398	308	380	2,086	9,075	
Real estate taxes	1,745	-	1,745	-	-	1,745	8,252	
Property management	-	-	-	-	-	-	3,497	
Miscellaneous	14,572	22,428	37,000	1,847	-	38,847	21,638	
	<u>\$ 418,654</u>	<u>\$ 623,594</u>	<u>\$ 1,042,248</u>	<u>\$ 293,186</u>	<u>\$ 293,432</u>	<u>\$ 1,628,866</u>	<u>\$ 1,392,631</u>	

The accompanying notes are an integral part of this exhibit.