

**HABITAT FOR HUMANITY
OF LAKE-SUMTER, FLORIDA, INC.
JUNE 30, 2015 & 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity of Lake-Sumter, Florida, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Lake-Sumter, Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 positions of Habitat for Humanity of Lake-Sumter, Florida, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Greenlee, Murray, Rice, Brown, Garner, + Donofrio
Certified Public Accountants

Mount Dora, Florida
November 18, 2015

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash	\$ 990,007	\$ 823,211
Building supplies	81,416	15,733
Accounts receivable	16,697	54,425
Escrow advances	22,358	7,858
Prepaid expenses	33,156	36,598
Investments	8,073	7,637
Grant receivable	. . .	149,249
Mortgage notes receivable, net of discount	2,922,285	2,538,468
Pledged mortgage notes, net of discount	178,768	204,372
Land for future home sites	707,034	798,275
Homes available for sale	8,072	206,514
Homes available for rent	17,810	73,530
Construction in process	9,745	449,463
Land, buildings & equipment, net of accumulated depreciation	2,277,087	2,183,795
Promises to give	2,569	2,569
Intangible assets, net of accumulated amortization	9,902	13,279
Other assets	<u>27,365</u>	<u>28,050</u>
TOTAL ASSETS	<u><u>\$ 7,312,344</u></u>	<u><u>\$ 7,593,026</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 28,822	\$ 43,608
Accrued expenses	62,304	68,599
Payroll liabilities	33,414	24,625
Sales tax liability	7,765	6,638
Line of credit	. . .	241,050
Escrow accounts	5,698	15,922
Notes payable	<u>1,999,832</u>	<u>1,589,578</u>
Total Liabilities	<u><u>2,137,835</u></u>	<u><u>1,990,020</u></u>
NET ASSETS:		
Unrestricted:		
Operating	631,875	1,401,740
Board designated	61,554	61,554
Fixed assets less related debt	<u>1,433,589</u>	<u>1,400,027</u>
Total Unrestricted	<u><u>2,127,018</u></u>	<u><u>2,863,321</u></u>
Temporarily Restricted:		
Long-term mortgages	2,922,285	2,538,468
Neighborhood stabilization program	. . .	201,217
Restricted for Veterans Initiative	<u>125,206</u>	<u>. . .</u>
Total Temporarily Restricted	<u><u>3,047,491</u></u>	<u><u>2,739,685</u></u>
Total Net Assets	<u><u>5,174,509</u></u>	<u><u>5,603,006</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,312,344</u></u>	<u><u>\$ 7,593,026</u></u>

The auditor's report and accompanying notes are an integral part of the financial statements.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
Revenues:		
Thrift store sales	\$ 1,424,870	\$ 1,370,833
Donations	357,698	599,258
Grants	272,251	212,749
In-kind donations	174,079	42,412
Fund-raising projects	33,164	92,784
Interest income	477	2,154
Unrealized gain (loss)	(783)	(2,201)
Mortgage discount amortization	172,385	199,917
Mortgage closings	1,029,894	596,687
Other closings	...	27,720
Global Village income	48,390	38,391
Veterans Initiative income	16,575	
Rental income	4,750	7,075
Other income	11,510	50,693
	<u>3,545,260</u>	<u>3,238,472</u>
Total unrestricted revenues		
Release of restricted net assets	76,011	356,235
Reclassification of long term mortgages receivable	(53,283)	(36,415)
Total unrestricted revenues, gains, and other support	<u>3,567,988</u>	<u>3,558,292</u>
Expenses:		
Thrift stores	892,933	888,660
Housing	2,247,702	1,269,065
General and administrative	567,060	782,822
Veterans Initiative	61,396	64,588
Community engagement	204,666	378,220
	<u>3,973,757</u>	<u>3,383,355</u>
Total expenses		
INCREASE IN UNRESTRICTED NET ASSETS	<u>(405,769)</u>	<u>174,937</u>
TEMPORARILY RESTRICTED NET ASSETS		
Release of restricted net assets	(76,011)	(356,235)
Reclassification of long term mortgages receivable	53,283	36,415
	<u>(22,728)</u>	<u>(319,820)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS		
INCREASE (DECREASE) IN NET ASSETS	(428,497)	(144,883)
NET ASSETS AT BEGINNING OF YEAR	<u>5,603,006</u>	<u>5,747,889</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,174,509</u>	<u>\$ 5,603,006</u>

The auditor's report and accompanying notes are an integral part of the financial statements.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Thrift Stores	Housing	Administrative	Veterans Initiative	Community Engagement	Total
Personnel	\$ 604,075	\$ 515,302	\$ 191,515	\$...	\$ 95,483	\$1,406,375
Depreciation	46,888	1,577	34,160	...	28,458	111,083
Mortgage discount expense	...	303,399	...	...	...	303,399
Rent	...	1,983	35,822	...	...	37,805
Utilities	81,251	29,873	6,826	...	17,382	135,332
Vehicle operation and maintenance	38,006	16,664	29,873	...	1,349	85,892
Advertising and newsletters	2,814	1,548	5,336	...	15,135	24,833
Special events	230	2,417	2,011	...	1,188	5,846
Dues and subscriptions	3,094	1,797	14,061	...	223	19,175
Supplies	13,650	4,399	7,479	16	2,993	28,537
Credit card fees	30,446	1,272	7,115	...	1,443	40,276
Minor equipment and tools	1,276	4,718	7,852	...	973	14,819
Repairs and maintenance	24,819	30,598	67,411	245	14,173	137,246
Other expenses	4,468	4,143	11,812	449	17,245	38,117
Tithe	...	...	7,554	...	...	7,554
Construction goods and services	...	1,311,076	...	...	...	1,311,076
Legal and accounting	100	7,315	41,934	...	...	49,349
Loan interest	37,527	...	38,963	...	...	76,490
Insurance	...	472	40,500	...	...	40,972
Printing and postage	1,131	1,081	2,430	4,307	1,000	9,949
Property taxes	119	4,050	130	...	...	4,299
Veterans Initiative direct cost	...	...	...	50,896	...	50,896
Volunteer costs	2,284	562	...	...	5,952	8,798
Training and conferences	...	199	11,123	2,536	883	14,741
Travel and mileage	755	3,257	3,153	2,947	786	10,898
	<u>\$ 892,933</u>	<u>\$ 2,247,702</u>	<u>\$ 567,060</u>	<u>\$ 61,396</u>	<u>\$204,666</u>	<u>\$3,973,757</u>

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Thrift Stores	Housing	Administrative	Client Services	Community Engagement	Total
Personnel	\$ 605,745	\$ 155,059	\$ 316,490	\$ 56,006	\$ 168,376	\$1,301,676
Depreciation	33,811	10,687	29,192	...	...	73,690
Mortgage discount expense	...	303,056	...	...	...	303,056
Rent	...	...	3,359	...	17,908	21,267
Utilities	77,784	2,979	27,814	1,261	15,244	125,082
Vehicle operation and maintenance	52,074	9,106	18,227	830	1,957	82,194
Advertising and newsletters	5,994	50	16,163	140	2,920	25,267
Special events	43	...	2,246	...	23,206	25,495
Dues and subscriptions	21	1,130	4,990	125	545	6,811
Supplies	8,621	335	10,301	314	404	19,975
Service charges and fees	64,625	7	8,281	372	214	73,499
Service agreements	6,202	30	48,384	242	4,008	58,866
Minor equipment and tools	1,827	3,110	536	...	134	5,607
Repairs and maintenance	4,064	1,191	4,336	429	974	10,994
Other expenses	3,010	1,718	45,482	3,391	16,489	70,090
Tithe	...	...	7,500	...	7,500	15,000
Acquisition costs	...	65,057	...	...	...	65,057
Construction goods and services	...	701,021	50,836	...	...	751,857
Legal and accounting	...	...	65,169	...	1,443	66,612
Loan interest	16,082	...	68,561	...	14,026	98,669
Insurance	2,059	11,230	33,873	37	847	48,046
Printing and postage	542	...	1,630	928	1,280	4,380
Property taxes	103	...	1,176	...	2,114	3,393
Staff & volunteer appreciation	2,940	141	5,380	...	3,364	11,825
Training and conferences	...	360	6,448	413	640	7,861
Travel, meals and lodging	3,113	2,798	6,448	100	842	13,301
Veteran's initiative	...	...	...	...	93,785	93,785
	<u>\$ 888,660</u>	<u>\$ 1,269,065</u>	<u>\$ 782,822</u>	<u>\$ 64,588</u>	<u>\$ 378,220</u>	<u>\$3,383,355</u>

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS USED FOR OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (428,497)	\$ (144,883)
Adjustments to reconcile increase (decrease) in net assets to net cash used for operating activities:		
Depreciation	\$ 111,083	\$ 73,690
Loans receivable issued	(750,980)	(596,687)
Discounts on loans receivable issued	303,399	303,056
Amortization of discounts on loans receivable	(172,385)	(199,917)
Payments on loans receivable	400,218	442,407
Amortization of discounts on notes payable	11,443	29,778
(Increase) decrease in accounts receivable	37,728	(52,075)
(Increase) decrease in escrow advances	(14,500)	(3,755)
Increase in prepaid expenses	3,442	(36,598)
Land used in building	91,241	(54,807)
Homes for resale	94,947	97,688
Homes for rent	55,720	(73,530)
Construction in process	439,718	(177,697)
(Increase) decrease in notes receivable	0	72,500
Increase in grants receivable	149,249	(149,249)
(Increase) decrease in promises to give	0	(715)
(Increase) decrease in other assets	685	6,843
Increase (decrease) in accounts payable	(14,786)	(123,045)
Increase in accrued expenses	(6,295)	51,027
Increase in other liabilities	9,916	2,505
Increase (decrease) in escrow balances	(10,224)	(128,655)
Total adjustments	<u>739,619</u>	<u>(517,236)</u>
Net increase (decrease) in cash from operating activities	311,122	(662,119)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equipment purchases	(12,822)	(50,044)
Building purchases & improvements	(84,221)	(298,876)
Intangible purchase	0	(1,050)
Stock purchases/donations	0	(52,305)
Net decrease in cash from investing activities	<u>(97,043)</u>	<u>(402,275)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	557,700	1,026,009
Line of credit proceeds (payments)	(241,050)	241,050
Note payments	<u>(363,933)</u>	<u>(975,228)</u>
Net increase (decrease) in cash from financing activities	<u>(47,283)</u>	<u>291,831</u>
NET INCREASE (DECREASE) IN CASH	166,796	(772,563)
CASH AT BEGINNING OF YEAR	<u>823,211</u>	<u>1,595,774</u>
CASH AT END OF YEAR	<u>\$ 990,007</u>	<u>\$ 823,211</u>

Non-cash transactions for June 30, 2015 and 2014 included in-kind construction materials of \$174,0792 and \$42,412, respectively. Interest paid was \$76,490 and \$98,669, respectively.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES FOR FINANCIAL STATEMENTS
JUNE 30, 2015 & 2014

1. Summary of Significant Accounting Policies:

Organization and Purpose - Habitat for Humanity of Lake-Sumter, Florida, Inc. (“Habitat”), a nonprofit organization, was incorporated on October 13, 1989. Habitat is an affiliate of Habitat for Humanity International, Inc., a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications and prayer support, Habitat is primarily and directly responsible for its own operations. Habitat is a local organization which is supported by individuals, clubs, businesses, churches and thrift store sales.

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code under a group exemption letter issued to Habitat International and is exempt from federal and state income taxes.

Basis of Presentation - The Organization has adopted FASB Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements of Not-for-Profit Organization*”). FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

Unrestricted net assets have no donor-imposed restrictions. Restricted net assets received and expended in the same year are classified as unrestricted.

Temporarily Restricted net assets have donor-imposed restrictions that will expire in the future, or assets subject to collection with the passage of time.

Permanently Restricted net assets have donor-imposed restrictions which do not expire.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Fair Values of Financial Instruments - The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments.

Cash, cash equivalents, and notes payable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES FOR FINANCIAL STATEMENTS
JUNE 30, 2015 & 2014

Mortgage Notes Receivable: The carrying amount approximates fair value, which is determined by discounting the future cash flows using rates that approximate the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Interest income (amortization of the discount) is recorded using the effective interest method over the lives of the mortgage notes.

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

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventory - The Organization receives donations of building materials that would otherwise have to be purchased to complete house construction. The fair value of these goods is recognized as revenue and inventory when received. They are expensed as construction costs when used.

Investments - Investments consist of stocks donated by individuals. The stocks are marketable securities and are stated at fair value. Contributed investments and land are recorded at their fair value at the date of donation. Sales of investments and associated gains or losses are accounted for using the specific identification method.

Fair Value Measurements - The Organization has adopted FASB ASC 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participant would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES FOR FINANCIAL STATEMENTS
JUNE 30, 2015 & 2014

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In accordance with FASB ASC 820, the Organization measures cash and cash equivalents and marketable securities at fair value. Realized and unrealized gains and losses on marketable securities are determined by using specific identification.

Fair value for securities that are traded on a national securities exchange is based upon the last reported sales price on the last business day of the year. Fair value for investments traded in the over-the-counter market, and listed securities for which no sale was reported on that date, is based upon the average of the last reported bid and ask price.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Land for Future Home Sites - These parcels are held by the Organization to be used for future home building sites. Donated parcels are recorded at appraised valuation. Purchased and foreclosed parcels are recorded at cost.

Construction in Process - All direct material and equipment costs and those indirect costs related to home construction are recorded as construction in process on the statement of financial position. When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the statement of activities as program services.

Property and Equipment - It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Property and equipment are recorded at cost if purchased or at their estimated fair market value at date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Office equipment, furniture & fixtures	5 - 7 years

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES FOR FINANCIAL STATEMENTS
JUNE 30, 2015 & 2014

Contributed Goods and Services - The Organization receives donations of time and effort from volunteers to construct the homes, operate the thrift stores and serve as family partners. The value of these services is not reflected in the financial statements. Over 1,200 volunteers contributed their services during the past fiscal year.

The Organization also receives donations of items which are sold through its four thrift store locations. The value of these items is not reflected in the financial statements.

2. Cash Restrictions

Funds received for Habitat's Veterans Initiative program are donor restricted. As of June 30, 2015, \$125,207 was restricted. No amount was restricted as of June 30, 2014.

Habitat agreed to participate in the Neighborhood Stabilization Program (NSP). As participants in the program, Habitat had to segregate the funding received from the NSP into separate bank accounts, only to be used for future Lake County builds. All the funds were utilized as of June 30, 2015. As of June 30, 2014, NSP funds held in separate bank accounts totaled \$201,217.

3. Accounts Receivable

Accounts receivable represent amounts due from clients. Due to the nature of the receivable, prior year's experience and analysis of the specific receivables, management believes that the amounts are fully collectible; therefore no allowance for doubtful accounts has been recorded.

4. Investments

Investments at June 30, 2015 and 2014 consisted of equity securities with a level 1 valuation.

5. Sales to Homeowners

During the year ending June 30, 2015, there were 15 homes sold to qualifying applicants. During the year ending June 30, 2014, there were 6 homes sold to qualifying applicants. Mortgage closings for June 30, 2015 and 2014 were \$1,244,552 and \$596,687 respectively, and mortgage discounts relating to these sales were \$303,399 for the fiscal year ending 2014 and 303,056 for the fiscal year ending 2013.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
 NOTES FOR FINANCIAL STATEMENTS
 JUNE 30, 2015 & 2014

6. Mortgage Notes Receivable

Mortgage notes receivable consist of noninterest-bearing mortgage notes which are secured by real estate and payable in monthly installments. Habitat directly finances all of the homes it sells. Most of the mortgage notes have an original maturity of 20 years and arose in connection with Habitat's homebuilding initiatives in Lake and Sumter Counties of Florida. Mortgage notes receivable at June 30, 2015 are presented net of unamortized discount resulting from the imputation of interest, as follows:

	<u>2015</u>	<u>2014</u>
Mortgage notes receivable at face value	\$ 5,664,419	\$ 5,192,519
Less unamortized discount ranging from 6-10%	<u>(2,742,134)</u>	<u>(2,449,679)</u>
	<u>\$ 2,922,285</u>	<u>\$ 2,742,840</u>

These mortgage notes will be received as follows:

Year Ending June 30,	
2016	\$ 434,028
2017	434,028
2018	434,028
2019	434,028
2020 & thereafter	<u>3,928,307</u>
	<u>\$ 5,664,419</u>

Habitat received \$381,240 in total mortgage principal and interest payments during the fiscal year ending June 30, 2015.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES FOR FINANCIAL STATEMENTS
JUNE 30, 2015 & 2014

7. Pledged Receivables

Habitat pledged the following amounts as collateral for loans:

	<u>2015</u>	<u>2014</u>
Flex 2015 mortgage notes at face value	\$ 1,263,678	\$. . .
Flex 2014 mortgage notes at face value	534,853	599,696
Flex 2013 mortgage notes at face value	898,157	967,900
Mortgage notes discount	<u>(1,376,035)</u>	<u>(734,956)</u>
	<u>\$ 1,320,653</u>	<u>\$ 832,640</u>

8. Sale of Receivables

On April 12, 2010 Habitat entered into an agreement to sell some of its future cash flows from mortgage notes receivable. Under the agreement, Habitat still maintains servicing rights to the mortgage notes and must replace non-performing mortgage notes. The mortgage notes receivable are included on the balance sheet for Habitat in the following amounts:

	<u>2015</u>	<u>2014</u>
Face value of sold mortgages	\$ 331,234	\$ 379,686
Discount on sold mortgages	<u>(152,466)</u>	<u>(175,314)</u>
	<u>\$ 178,768</u>	<u>\$ 204,372</u>

9. Foreclosures

Habitat is in the process of foreclosing on one of its homes as of June 30, 2015 and 2014. The current mortgage note balance is in bankruptcy and is valued at \$46,508 and \$50,778, respectively.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES FOR FINANCIAL STATEMENTS
JUNE 30, 2015 & 2014

10. Land, Buildings and Equipment

Land, buildings and equipment are comprised of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land, building and improvements	\$ 2,546,443	\$ 2,465,824
Office equipment, furniture & fixtures	141,925	129,103
Transportation equipment	<u>168,227</u>	<u>167,127</u>
	2,856,595	2,762,054
Less accumulated depreciation	<u>(683,003)</u>	<u>(578,259)</u>
	<u>\$ 2,173,592</u>	<u>\$ 2,183,795</u>

11. Notes Payable & Line of Credit

Following is a summary of notes payable at June 30:

	<u>2015</u>	<u>2014</u>
4.75% note payable to Habitat for Humanity International, Inc., \$4,393 monthly installments with a maturity date of June, 2025, secured by mortgage notes receivable.	417,700	...
3.80% note payable to Habitat for Humanity International, Inc., \$16,554 quarterly installments with a maturity date of June, 2020, secured by mortgage notes receivable.	300,229	353,758
4.75% note payable to Habitat for Humanity International, Inc., \$7,610 quarterly installments with a maturity date of June, 2024, secured by mortgage notes receivable.	221,876	241,200
SHOP interest-free loan, monthly payments of \$359 for forty-eight months, maturing June 2016.	...	6,480

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Variable rate mortgage note secured by real estate. Interest only payments in monthly installments. The note was paid off July 2015.	140,000	...
4.75% Fixed rate mortgage note secured by real estate. Monthly installments of \$2,079 with a maturity date of May 2024.	180,449	196,296
4.75% Fixed rate mortgage note secured by real estate. Monthly installments of \$4,591 with a maturity date of June 2024.	560,810	587,472
Agreement with bank to provide future cash flows from select mortgage notes receivable. The face value and discount are tied to the mortgage notes receivable. Face Value of \$331,234 and discount of \$152,466.	178,768	204,372
Total Notes Payable	\$ 1,999,832	\$ 1,589,578

Scheduled principal payments are as follows:

Year Ending June 30,	
2016	\$ 317,295
2017	185,339
2018	192,591
2019	264,651
2020-Thereafter	1,039,956
	\$ 1,999,832

Line of Credit

On February 7, 2014, Habitat entered into a \$300,000 line of credit with Citizens First Bank secured by a lien on the deposit accounts held by Citizens First Bank or any of their affiliates. This credit facility bears interest at 0.750 basis points above the Lender's Prime Rate and is subject to change. The line matures February 7, 2016. As of June 30, 2015, there was no outstanding balance on the line of credit.

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12. Lease

Habitat occupies its office facilities under an operating lease expiring March 2019 at a monthly rental of \$2,500. As of June 30, 2015, the future rental payments required under this operating lease are as follows:

Year Ending June 30,	
2016	\$ 30,000
2017	30,000
2018	30,000
2019	<u>22,500</u>
	<u>\$ 112,500</u>

13. Temporarily Restricted Net Assets

At June 30, temporarily restricted net assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Long-term mortgage notes	\$ 2,922,285	\$ 2,538,468
Neighborhood stabilization program	...	201,217
Veterans Initiative	<u>125,206</u>	<u>...</u>
	<u>\$ 3,047,491</u>	<u>\$ 2,739,685</u>

14. In-Kind Contributions

Habitat receives numerous in-kind contributions of materials and supplies used in the construction and furnishing of homes. Supplies and materials contributed during the years ended June 30, 2015 and 2014 totaled \$174,079 and \$42,412, respectively.

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14. Income Taxes:

The Internal Revenue Service has recognized Habitat as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in furtherance of Habitat's tax-exempt purpose is exempt from federal and state income taxes and, therefore, these financial statements include no provision or liability for income taxes. Habitat follows the reporting and disclosure guidance for uncertainty in income taxes as defined in FASB ASC 740. The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of June 30, 2015 and 2014, Habitat had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. Generally, the IRS may review the returns for the past three years.

15. Related Party Transactions

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$7,500 and \$15,000 to Habitat International for each of the years ended June 30, 2015 and 2014, respectively. This amount is included in program services expense in the statement of activities.

Habitat contracted with various board members for legal work (\$12,918), the use of facilities for board meetings and special events (\$30,836) and sold a home to a non-profit with a related board member (\$63,000) during the fiscal year ending June 30, 2015.

16. Retirement Plan

The Organization has a Simple IRA retirement plan funded by employees' voluntary contributions. Starting in May 2012, the Organization may contribute up to 3% of employee earnings or contributions, whichever is less. Habitat contributed \$5,342 for the year ended June 30, 2015 and contributed \$7,520 for the year ended June 30, 2014.

17. Other Matters

Deposits at FDIC-insured institutions are now insured up to at least \$250,000 per accounts. At June 30, 2015, the Organization's uninsured bank balances totaled \$182,254.

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18. Subsequent Events

Subsequent events have been evaluated through November 18, 2015, which is the date the financial statements were available to be issued. No material subsequent events were identified for recognition or disclosure.