

**HABITAT FOR HUMANITY  
OF LAKE-SUMTER, FLORIDA, INC.  
JUNE 30, 2014 & 2013**



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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, 2014 and 2013, 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, 2014 and 2013, 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, Kurras, Rice & Brown, P.A.*

Mount Dora, Florida  
October 1, 2014

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 823,211	\$1,595,774
Building supplies	15,733	15,733
Accounts receivable	54,425	2,350
Escrow advances	7,858	4,103
Prepaid expenses	36,598	...
Investments	61,315	9,010
Note receivable	...	72,500
Grant receivable	149,249	...
Mortgage notes receivable, net of discount	2,538,468	2,082,010
Pledged mortgage notes, net of discount	204,372	641,810
Land for future home sites	798,275	743,468
Homes available for sale	206,514	304,202
Homes available for rent	73,530	...
Construction in process	449,463	271,766
Land, buildings & equipment, net of accumulated depreciation	2,183,795	1,902,880
Promises to give	2,569	1,854
Intangible assets, net of accumulated amortization	13,279	15,571
Other assets	28,050	34,893
<b>TOTAL ASSETS</b>	<u>\$ 7,646,704</u>	<u>\$7,697,924</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 43,608	\$ 166,653
Accrued expenses	68,599	17,572
Payroll liabilities	24,625	21,380
Sales tax liability	6,638	7,378
Line of credit	241,050	...
Escrow accounts	15,922	144,577
Notes payable	1,589,578	1,538,797
<b>Total Liabilities</b>	<u>1,990,020</u>	<u>1,896,357</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Operating	1,473,349	1,133,222
Board designated	61,554	15,000
Fixed assets less related debt	1,400,027	1,611,771
<b>Total Unrestricted</b>	<u>2,934,930</u>	<u>2,759,993</u>
Temporarily Restricted:		
Long-term mortgages	2,520,537	2,321,532
Neighborhood stabilization program	201,217	710,132
Restricted for South Lake County builds	...	9,910
<b>Total Temporarily Restricted</b>	<u>2,721,754</u>	<u>3,041,574</u>
<b>Total Net Assets</b>	<u>5,656,684</u>	<u>5,801,567</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,646,704</u>	<u>\$7,697,924</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Revenues:		
Thrift store sales	\$ 1,370,833	\$1,378,070
Donations	599,258	512,443
Grants	212,749	29,416
In-kind donations	42,412	27,370
Fund-raising projects	92,784	38,141
Interest income	2,154	1,967
Unrealized gain (loss)	(2,201)	3,066
Mortgage discount amortization	199,917	205,043
Mortgage closings	596,687	496,285
Other closings	27,720	...
Global Village income	38,391	...
Rental income	7,075	11,800
Other income	50,693	5,630
	<u>3,238,472</u>	<u>2,709,231</u>
Total unrestricted revenues		
Release of restricted net assets	356,235	...
Reclassification of long term mortgages receivable	(36,415)	(17,910)
Total unrestricted revenues, gains, and other support	<u>3,558,292</u>	<u>2,691,321</u>
Expenses:		
Thrift stores	888,660	946,960
Housing	1,269,065	940,960
General and administrative	782,822	604,969
Client services	64,588	...
Community engagement	378,220	...
Fundraising	...	127,226
	<u>3,383,355</u>	<u>2,620,115</u>
Total expenses		
INCREASE IN UNRESTRICTED NET ASSETS	<u>174,937</u>	<u>71,206</u>
TEMPORARILY RESTRICTED NET ASSETS		
Release of restricted net assets	(356,235)	...
Reclassification of long term mortgages receivable	36,415	17,910
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(319,820)</u>	<u>17,910</u>
INCREASE (DECREASE) IN NET ASSETS	(144,883)	89,116
NET ASSETS AT BEGINNING OF YEAR	<u>5,801,567</u>	<u>5,712,451</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,656,684</u>	<u>\$5,801,567</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, 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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

	Thrift Stores	Housing	Administrative	Fundraising	Total
Personnel	\$ 651,651	\$ 137,867	\$ 337,949	\$ ...	\$1,127,467
Depreciation	32,757	10,687	6,582	...	50,026
Mortgage discount expense	...	205,989	...	...	205,989
Rent	...	...	33,977	...	33,977
Utilities	68,102	1,606	19,109	...	88,817
Vehicle operation and maintenance	65,597	5,718	22,236	...	93,551
Advertising and newsletters	12,957	60	15,508	...	28,525
Special events	...	...	...	127,226	127,226
Dues and subscriptions	15,639	190	3,485	...	19,314
Supplies	7,741	21	4,618	...	12,380
Credit card fees	33,281	...	25,283	...	58,564
Minor equipment and tools	725	3,268	210	...	4,203
Repairs and maintenance	9,982	530	7,555	...	18,067
Other expenses	738	18,532	29,165	...	48,435
Tithe	...	...	2,250	...	2,250
Acquisition costs	...	224,819	...	...	224,819
Construction goods and services	...	316,272	...	...	316,272
Legal and accounting	...	...	18,468	...	18,468
Loan interest	33,407	...	16,977	...	50,384
Insurance	8,542	13,297	11,495	...	33,334
Printing and postage	691	455	20,000	...	21,146
Property taxes	...	...	1,651	...	1,651
Volunteer costs	4,810	48	9,361	...	14,219
Training and conferences	...	1,243	12,207	...	13,450
Travel and mileage	340	358	6,883	...	7,581
	<u>\$ 946,960</u>	<u>\$ 940,960</u>	<u>\$ 604,969</u>	<u>\$127,226</u>	<u>\$2,620,115</u>

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS USED FOR OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (144,883)	\$ 89,116
Adjustments to reconcile increase (decrease) in net assets to net cash used for operating activities:		
Depreciation	\$ 73,690	\$ 50,026
Loans receivable issued	(596,687)	(496,285)
Discounts on loans receivable issued	303,056	205,989
Amortization of discounts on loans receivable	(199,917)	(205,043)
Payments on loans receivable	442,407	388,938
Amortization of discounts on notes payable	29,778	23,694
(Increase) decrease in accounts receivable	(52,075)	27,375
(Increase) decrease in escrow advances	(3,755)	2,892
Increase in prepaid expenses	(36,598)	...
Land used in building	(54,807)	(114,254)
Homes for resale	97,688	128,210
Homes for rent	(73,530)	...
Construction in process	(177,697)	(174,970)
(Increase) decrease in notes receivable	72,500	(72,500)
Increase in grants receivable	(149,249)	...
(Increase) decrease in promises to give	(715)	291
(Increase) decrease in other assets	6,843	(15,174)
Increase (decrease) in accounts payable	(123,045)	124,187
Increase in accrued expenses	51,027	4,462
Increase in other liabilities	2,505	2,919
Increase (decrease) in escrow balances	<u>(128,655)</u>	<u>18,671</u>
Total adjustments	<u>(517,236)</u>	<u>(100,572)</u>
Net decrease in cash from operating activities	(662,119)	(11,456)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Equipment purchases	(50,044)	(94,806)
Building purchases & improvements	(298,876)	(612,592)
Intangible purchase	(1,050)	(15,835)
Stock purchases/donations	<u>(52,305)</u>	<u>...</u>
Net decrease in cash from investing activities	(402,275)	(723,233)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan proceeds	1,026,009	741,000
Line of credit proceeds	241,050	...
Note payments	<u>(975,228)</u>	<u>(56,608)</u>
Net increase in cash from financing activities	<u>291,831</u>	<u>684,392</u>
<b>NET DECREASE IN CASH</b>	(772,563)	(50,297)
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,595,774</u>	<u>1,646,071</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 823,211</u>	<u>\$ 1,595,774</u>

Non-cash transactions for June 30, 2014 and 2013 included in-kind construction materials of \$42,412 and \$27,370, respectively. Interest paid was \$98,669 and \$50,384, respectively.

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

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.  
NOTES FOR FINANCIAL STATEMENTS  
JUNE 30, 2014 & 2013

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**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, 2014 & 2013

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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, 2014 & 2013

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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.

*Homes Available for Sale* - The Organization has five homes that have been repurchased and repaired and are available for sale to the Organization's clients.

*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, 2014 & 2013

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*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**

Habitat has agreed to participate in the Neighborhood Stabilization Program (NSP). As participants in the program, Habitat has agreed to segregate the funding received from the NSP into separate bank accounts, only to be used for future Lake County builds. As of June 30, 2014 and 2013, NSP funds held in separate bank accounts totaled \$201,217 and \$245,427, respectively.

**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, 2014 and 2013 consisted of equity securities with a level 1 valuation.

**5. Sales to Homeowners**

During the year ending June 30, 2014, there were 6 homes sold to qualifying applicants. During the year ending June 30, 2013, there were 7 homes sold to qualifying applicants. Mortgage closings for June 30, 2014 and 2013 were \$596,687 and \$496,285 respectively, and mortgage discounts relating to these sales were \$303,056 for the fiscal year ending 2014 and 205,989 for the fiscal year ending 2013.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.  
 NOTES FOR FINANCIAL STATEMENTS  
 JUNE 30, 2014 & 2013

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**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, 2014 are presented net of unamortized discount resulting from the imputation of interest, as follows:

	<u>2014</u>	<u>2013</u>
Mortgage notes receivable at face value	\$ 5,192,519	\$ 5,116,125
Less unamortized discount ranging from 6-10%	<u>(2,449,679)</u>	<u>(2,392,305)</u>
	<u>\$ 2,742,840</u>	<u>\$ 2,723,820</u>

These mortgage notes will be received as follows:

Year Ending June 30,	
2015	\$ 401,376
2016	401,376
2017	401,376
2018	401,376
2019 & thereafter	<u>3,587,015</u>
	<u>\$ 5,192,519</u>

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.  
 NOTES FOR FINANCIAL STATEMENTS  
 JUNE 30, 2014 & 2013

**7. Pledged Receivables**

Habitat pledged the following amounts as collateral for loans:

	<u>2014</u>	<u>2013</u>
Flex 2014 mortgage notes at face value	\$ 599,696	\$ ...
Flex 2013 mortgage notes at face value	967,900	...
AAR 2007 mortgage notes at face value	...	294,828
Mortgage notes discount	<u>(734,956)</u>	<u>(126,840)</u>
	<u>\$ 832,640</u>	<u>\$ 167,988</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>2014</u>	<u>2013</u>
Face value of sold mortgages	\$ 379,686	\$ 464,704
Discount on sold mortgages	<u>(175,314)</u>	<u>(205,092)</u>
	<u>\$ 204,372</u>	<u>\$ 259,612</u>

**9. Foreclosures**

Habitat is in the process of foreclosing on one of its homes as of June 30, 2014. Habitat was in the process of foreclosing on five of its homes as of June 30, 2013. The current mortgage note balance for these foreclosures is \$50,778 and \$164,304, respectively.



HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.  
NOTES FOR FINANCIAL STATEMENTS  
JUNE 30, 2014 & 2013

**10. Land, Buildings and Equipment**

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

	<u>2014</u>	<u>2013</u>
Land, building and improvements	\$ 2,465,824	\$ 2,166,949
Office equipment, furniture & fixtures	129,103	86,779
Transportation equipment	<u>167,127</u>	<u>159,407</u>
	2,762,054	2,413,135
Less accumulated depreciation	<u>(578,259)</u>	<u>(510,255)</u>
	<u>\$ 2,183,795</u>	<u>\$ 1,902,880</u>

**11. Notes Payable & Line of Credit**

Following is a summary of notes payable at June 30:

	<u>2014</u>	<u>2013</u>
4.00% note payable to Habitat for Humanity International, Inc., \$7,978 quarterly installments with a maturity date of March, 2014, secured by mortgage notes receivable.	...	46,237
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.	353,758	401,133
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.	241,200	...
SHOP interest-free loan, monthly payments of \$359 for forty-eight months, maturing June 2016.	6,480	10,788
SHOP interest-free loan, monthly payments of \$359 for forty-eight months, maturing June 2016.	...	3,829
Variable rate mortgage note secured by real estate. Monthly installments of \$2,208 with a maturity date of July 2014.	...	213,116

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4.75% Fixed rate mortgage note secured by real estate. Monthly installments of \$2,079 with a maturity date of May 2024.	196,296	...
4.75% Fixed rate mortgage note secured by real estate. Monthly installments of \$4,591 with a maturity date of June 2024.	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 \$379,686 and discount of \$175,314.	204,372	259,612
Total Notes Payable	\$ 1,589,578	\$ 1,538,797

Scheduled principal payments are as follows:

Year Ending June 30,	
2015	\$ 145,967
2016	150,168
2017	153,459
2018	159,170
2019-Thereafter	980,814
	\$ 1,589,578

**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. As of June 30, 2014, the outstanding balance on the line of credit was \$241,050.

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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, 2014, the future rental payments required under this operating lease are as follows:

Year Ending June 30,	
2015	\$ 30,000
2016	30,000
2017	30,000
2018	30,000
2019	<u>22,500</u>
	<u>\$ 142,500</u>

**13. Temporarily Restricted Net Assets**

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

	<u>2014</u>	<u>2013</u>
Long-term mortgage notes	\$ 2,520,537	\$ 2,321,532
Neighborhood stabilization program	201,217	710,132
South Lake County builds	<u>          </u>	<u>9,910</u>
	<u>\$ 2,721,754</u>	<u>\$ 3,041,574</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, 2014 and 2013 totaled \$42,412 and \$27,370, 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, 2014 and 2013, 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 \$15,000 and \$2,250 to Habitat International for each of the years ended June 30, 2014 and 2013, respectively. This amount is included in program services expense in the statement of activities.

Habitat contracted with a board member's office for various legal work. Fees amounted to \$36,088 for fiscal year ended June 30, 2014.

**16. Retirement Plan**

The Organization has a 403(b) 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 \$7,520 for the year ended June 30, 2014 and contributed \$15,258 for the year ended June 30, 2013.

**17. Other Matters**

Deposits at FDIC-insured institutions are now insured up to at least \$250,000 per accounts through December 31, 2014. At June 30, 2014, the Organization's uninsured bank balances totaled \$137,204.

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**18. Subsequent Events**

Subsequent events have been evaluated through October 1, 2014, which is the date the financial statements were available to be issued. No material subsequent events were identified for recognition or disclosure.

Habitat has received a promissory grant of \$600,000, or \$60,000 per house, from the State of Florida in Mortgage Settlement Funds to build ten houses according to program guidelines. In anticipation of receiving said funds, Habitat utilized cash on hand to build the first five homes, one of which closed in 2013-2014. Four more are scheduled to close in the first quarter of 2014-2015 and an additional four have broken ground or have started to build.