

MCKINNEY COMMUNITY DEVELOPMENT CORPORATION

Grant Application – NCC Habitat

Fiscal Year 2015

IMPORTANT:

- Please read the McKinney Community Development Corporation Grant Guidelines prior to completing this application.
- The Grant Guidelines and Application are available at www.mckinneycdc.org; by calling 214.544.0296 or by emailing cschneible@mckinneycdc.org
- Please call to discuss your plans for submitting an application **in advance** of completing the form. Completed application and all supporting documents are required to be submitted electronically or on a CD for consideration by the MCDC board. Please submit the application to:

McKinney Community Development Corporation
5900 S. Lake Forest Blvd., Suite 110
McKinney, TX 75070

- If you are interested in a preliminary review of your project proposal or idea, please complete and submit the **Letter of Inquiry** form, available at www.mckinneycdc.org, by calling 214.544.0296 or emailing cschneible@mckinneycdc.org.

Applications must be completed in full, using this form, and received by MCDC, electronically or on a CD, by 5:00 p.m. on the date indicated in schedule below.

Please indicate the type of funding you are requesting:

X Project Grant

Quality of Life projects that are eligible for funding in accordance with the Type B sales tax statute (refer to examples in Grant Guidelines) and that advance the mission of MCDC.



Promotional or Community Event Grant (maximum \$15,000)

Initiatives, activities and events that promote the City of McKinney for the purpose of developing new or expanded business opportunities and/or tourism – and enhance quality of life for McKinney residents.

Promotional and Community Event Grants:

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: January 2, 2015	January 2015	February 2015
Cycle II: June 30 2015	July 2015	August 2015

Project Grants:

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: January 30, 2015	February 2015	March 2015
Cycle II: April 30, 2015	May 2015	June 2015
Cycle III: July 31, 2015	August 2015	September 2015

APPLICATION

ORGANIZATION INFORMATION

Name: North Collin County Habitat for Humanity

Federal Tax I.D.: 75-2443511

Incorporation Date: 1992

Mailing Address: 2060 Couch Drive

City McKinney

ST: Texas

Zip: 75069

Phone: 972-542-5300

Fax: 972-542-5159

Email: celeste@ncc-habitat.com

Website: ncc-habitat.com

Check One:

- Nonprofit – 501(c) Attach a copy of IRS Determination Letter
- Governmental entity
- For profit corporation
- Other

Professional affiliations and organizations to which your organization belongs: Professional affiliations and organizations to which your organization belongs: Chambers of Commerce – McKinney, Frisco, Melissa, Prosper, Celina, Anna, Farmersville, Princeton; Volunteer Center of McKinney; Tri County Hispanic Chamber, Volunteer Center of North Texas; Habitat Texas; Habitat for Humanity International; McKinney Rotary; Texas Economic Development Council; American Economic Development Council; Woman Enhancing Business; McKinney Historic Neighborhood Association and Homebuilders Association of Texas – Collin County

REPRESENTATIVE COMPLETING APPLICATION:

Name: Elizabeth Johnston

Title: Marketing Coordinator

Mailing Address: 2060 Couch Drive

City: McKinney

ST: Texas

Zip: 75069

Phone: 972-542-5300

Fax: 972-542-5159

Email: marketing@ncc-habitat.com

CONTACT FOR COMMUNICATIONS BETWEEN MCDC AND ORGANIZATION:

Name: Celeste Cox

Title: Executive Director

Mailing Address: 2060 Couch Drive

City: McKinney

ST: Texas

Zip: 75069

Phone: 972-542-5300

Fax: 972-542-5159

Email: celeste@ncc-habitat.com

FUNDING

Total amount requested: \$220,000

PROJECT/PROMOTION/COMMUNITY EVENT

Start Date: 10/1/2015

Completion Date: 9/15/2016

BOARD OF DIRECTORS *(may be included as an attachment)*

See Attached

LEADERSHIP STAFF *(may be included as an attachment)*

See Attached

I. North Collin County Habitat for Humanity

The Collin County Commissioners Court, in a recent proclamation presented by Commissioner Susan Fletcher, said “North Collin County Habitat for Humanity is resurrecting lives and families right here in Collin County. The Collin County Commissioner Court recognizes North Collin County Habitat for Humanity and their dedicated volunteers for opening doors of opportunity and making our communities a better place for all.”



North Collin County Habitat for Humanity (NCC Habitat), located in McKinney, Texas, has been building homes for eligible low-income families since its incorporation in 1992, and, with the support of local churches, builders, companies, volunteers, and organizations like MCDC, will complete our 100th new construction home by the end of 2015. In addition, NCC Habitat has completed 89 home rehabs in North Collin County. That is an estimated 189 families or 676 people provided solid, secure, permanent housing through the programs of NCC Habitat.

NCC Habitat serves households earning between 30% and 60% of the applicable family median income for the Dallas metropolitan statistical area. On average, a Habitat 4-person household will earn between \$20,000 and \$40,000 per year based on historical data. We have strict family selection guidelines to ensure that all income is verified and all other program rules are complied with. Income, employment, and credit history are “requalified” before the family can move into their home. Eighty percent (80%) of the families that are served through the ABWK program fall below the 30% of median household income which is less than \$10,950 a year.

The homes are sold at a very modest cost (\$75,000 on average including land) and mortgages are serviced by NCC Habitat over a 20 year period. A deed restriction in the form of a second lien is placed on the property to prevent a windfall profit from being made upon early sale of the property. If a homeowner does sell the home, NCC Habitat is given first right of refusal. Our success rate for families remaining in their homes (since 1992, when our affiliate was organized) is 97%. We have lost one family due to a move, and two due to inability to make payments. The two homes were recycled for new Habitat families.



NCC Habitat has enjoyed significant growth within the last 23 years. Our staff has grown to 24 full and part time employees to administer our programs as well as keep pace with our organization’s growing administrative responsibilities. From June 2014-July 2015 NCC Habitat hosted over 4,000 volunteers totaling over 280,000 volunteer hours. We are only able to carry out our mission through the work of a score of others. Through our outreach efforts and relationships with organizations such as Volunteer McKinney, McKinney’s City of Service “Together We Serve” initiative, local churches such as First Baptist McKinney, and countless area businesses like Torchmark, Simpson Strong Tie, and Emerson, we have been able to build and repair homes revitalizing older neighborhoods.



Jessica Garcia family's home is under construction now.

McKinney has been called the #1 best place to live in the U.S., and Collin County enjoys income levels at one of the highest in the country; however, we also have large areas of poverty and substandard housing in the cities and extensive rural areas in our service area. This will only increase, as our population is projected to reach 871,654 in 2020, up from 786,561 according to the 2010 census. In 2013, 8.5% of McKinney residents were earning incomes below poverty level, which are 5,158 households earning less than \$20,000. Sixty six percent (66.2%) of those households were renting. Among the very poor, residents of McKinney earning below half of poverty level, those that are 75 years and older make up the highest percentage. Those individuals that are disabled make up 20% of those living below poverty levels.

A Brush with Kindness Home Rehabilitation Program

NCC Habitat is involved in A Brush with Kindness (ABWK) program in which volunteers repaint and perform exterior repairs to existing homes. This has been successful throughout the country and is a low-cost service to the elderly, disabled and others who may not be able to afford to keep their homes in good condition.



Along with Habitat's ABWK program, we are in partnership with the city of McKinney in a nationwide program known as the Cities of Service Initiative "Together We Serve." This program identifies the needs of properties within the low-moderate income neighborhoods in McKinney. This addresses new construction, rehabs, repairs, clean-up and education of the homeowners to achieve financial stability and build healthy, stable neighborhoods.

There are 5 neighborhoods in McKinney currently identified as the first target areas. The project commenced with a needs analysis for each neighborhood, identification of issues, identification of resources, assignment of volunteers to projects, and execution of projects. MCDC has contributed money toward 22 of these home rehab projects this past year. Yet, from our analysis of the homes in the La Loma, Rockwall, Wilcox, and other McKinney neighborhoods in this area, we have identified 172 homes still in need of these services.



Key factors considered in identifying the need for housing repairs:

- 13% of McKinney housing was build prior to 1979. The majority of these homes are in the older communities east of the city's downtown center.
- An estimated 5,158 of McKinney households earn \$20,000 or less; and an additional 2,351 earn less than \$30,000; 21% of McKinney households earn less than \$50,000 annually.
- 13.4% of males living below poverty levels are disabled in McKinney; 15% of females living below poverty levels are disabled. Many persons with disabilities have low or fixed incomes.
- 5.2% of the McKinney population, or 7,688 individuals, are elderly with 4.6% living below the poverty level.

- As part of our strategic plan, NCC Habitat has committed to serve 45 families through this program for the next fiscal year, 25 of those in McKinney.

It is estimated that on average, the project will cost approximately \$5,000 cash and \$500 GIK (Gifts in Kind) donated materials. We have established many new partners in this program and received \$12,500 from Thrivent Financial's Thrivent Builds Repairs Program this past year to help with ABWK projects in these neighborhoods.



Land Acquisition and Lot Prep for Affordable Housing

Habitats for Humanity homes serve the working poor who cannot qualify for a conventional mortgage and a market-rate house. The homes are simple, but constructed to fit well in neighborhoods of other Habitat homes. Most are located in Census Tract 309, east of McDonald Street in McKinney, where a major segment of the population earns less than 60% of the area median income. Whenever possible, Habitat purchases lots contiguous to one another and/or in the same neighborhood in an effort to revitalize an entire area. Target neighborhoods include LaLoma, Rockwall and Wilcox in conjunction with the Cities of Service Initiative.

Unfortunately, land prices and surveys in McKinney continue to rise as do construction costs for these homes. Habitat strives to keep lot prices as low as possible, but cannot acquire lots without assistance. NCC Habitat attempts to purchase McKinney lots through the city's land disposition program and/or sheriff's sale property disposition, but several years ago this process became a bidding war. NCC Habitat can no longer acquire lots for \$2,500 as initially proposed on the lot disposition policy as taxing entities rarely approved sales for less than taxes owed. The average price of recently-purchased lots was \$10,000 - \$15,000 each. The requested **\$75,000** will enable us to acquire **5 lots** at an average of \$15,000 each from the City of McKinney and private owners. Small lots in east McKinney are selling on the open market for \$10,000 to \$15,000 each.



If we are unable to find help, we will serve fewer families earning as low as 30% of AMI in McKinney. We are able to find lots at much lower costs in surrounding communities including Celina, Princeton and Farmersville, or they are donated by the cities and individual donors, however 81% of our applicants either live or work in McKinney. In order to build new

homes each year, we will need to purchase additional lots to replace those used in order to continue to serve families.

For more than 23 years, NCC Habitat has built **97** homes and rehabilitated **89** distressed properties in a continuing effort to revitalize the community. Our land acquisition department has utilized all available CDBG funds to purchase land and has raised additional funds to serve the needs of clients applying for our housing program. Programs offered include the provision of new and rehabilitated existing homes for low and very low income families, which directly addresses Strategy One and Strategy Four of the city's Consolidated Plan Goals and Objectives.



The Habitat ABWK program will serve an average of 4 people per home for 25 homes. Approximately 100 seniors, adults and children will soon enjoy a strong, secure; exterior appealing home that will shelter and protect them with an average per person cost of \$1,250 per person.

Disclose and summarize any significant, planned organizational changes and describe their potential impact on the Project/Promotional Activity/Community Event for which funds are requested.

NCC Habitat has no significant organizational changes which would have an impact on the project for which funds are requested. We have and will continue to have a full-time Director of Construction programs that will oversee these projects as well as a full-time Director of Family Programs for intake of family applications and a part-time land acquisition coordinator to oversee the purchase and development of lots for affordable housing. We also have two full-time construction assistants to assist with new construction and ABWK.

II. Project or Promotional Activity/Community Event (whichever is applicable)

NCC Habitat is asking for \$220,000 to purchase, survey, and prep 5 lots, and complete 25 home repair projects.

Described below are the projected costs and numbers for the projects identified:

Affordable Housing:

Land Acquisition:

Acquisition of 5 lots for affordable housing	\$75,000 (5 @ \$15,000 average each)
5 Surveys @ \$2500	\$12,500
Lot Prep 5@ \$1500	<u>\$7,500</u>
	\$95,000

ABWK Program:

25 homes repairs - exterior	\$125,000 (25@ \$5,000 average each)
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Total **\$220,000** (*29% of total project costs)

Total Project Budget 45 Repairs and 10 New Homes

5 Homes	\$ 65,000	\$ 325,000
5 Lots	\$ 15,000	\$ 75,000
5 Surveys	\$ 2,500	\$ 12,500
5 Lot Prep	\$ 1,500	\$ 7,500
45 repairs	\$ 5,000	\$ 225,000
45 GIK Materials	\$ 500	\$ 22,500
5 GIK Materials	\$ 16,000	\$ 80,000
		\$ 747,500

Seeking to put God’s love into action, North Collin County Habitat for Humanity brings people together to build homes, communities and hope. The goal of the organization is to provide affordable housing for eligible families currently residing in substandard residences and serve the community as a whole in community development. Through the programs and projects we have proposed, our organizations goals and mission will be directly met.

Each year we hope to build up to 10 new homes and repair as many homes as we are financially able to do. As our population grows, we will have a higher number of potential volunteers, donors, and families to serve. As we are able to provide needed funds and working hands, we will expand our annual targets and serve as many families as possible.

Project Grants

- An expansion/improvement? Yes No
- A replacement/repair? Yes No
- A multi-phase project? Yes No
- A new project? Yes No

Has a feasibility study or market analysis been completed for this proposed project?

If so, please attach a copy of the Executive Summary.

Our proposed projects will be completed in the areas consistent with the City of McKinney Consolidated Housing Plan which addresses the need for affordable housing and home reconstruction to older low-income households (LaLoma and Rockwall neighborhoods). A copy of our most recent study of these neighborhoods is attached.

Provide specific information to illustrate how this Project/Promotional Activity/Event will enhance quality of life and further business development in the City of McKinney, and support one or more of MCDC’s goals:

Quality of life can be defined many ways including the general well-being of individuals or a satisfaction an individual has regarding a particular style of living. But, according to Children’s Health System statistics, poverty is outpacing the population in Collin County and is the single greatest threat to a child’s well-being.

A decent, affordable, secure and permanent home provides a platform from which a family can escape poverty improving both the well-being of their family, who are residents of McKinney, but also the well-being of those sharing a neighborhood or city. Having safe and stable homes is the foundation upon which economic strength can be built, for both an individual and a city.

Both new home lots and home repair projects are eligible for Type B funding under state law and will contribute toward making affordable housing available to McKinney residents.

III. Financial

NCC Habitat has many financial donors and home sponsors. We can build and repair more homes as we are financially able. Keeping costs lower by receiving grant money for lots allows us to construct more homes and serve more families. Additionally, grant money to rehab homes in McKinney can go directly

to the programs and families identified. Through our ReStore operating income we are able to pay most of our administrative costs and remain self-sufficient.

We expect to house 120 individuals in McKinney with a decent, affordable home through the money for which we are asking.

We are in sound financial status with regard to our programs and the Federal Government. Financial budget for NCC Habitat FY 2015-2016, as well as financial statements for the past two years, has been attached.

The NCC Habitat Board of Directors has also approved a resolution to apply for funding. A copy of the resolution is attached.

Has a request for funding, for this Project/Promotional Activity/Community Event, been submitted to MCDC in the past?

Yes No - not for this lot acquisition

What is the estimated total cost for this Project/Promotional Activity/Community Event? \$747,500

What percentage of Project/Promotional Activity/Community Event funding will be provided by the Applicant? 71%

Are Matching Funds available? Yes No

Cash \$22,500 Source: Thrivent Financial, Legacy Texas Bank, Junior League 18% of Total ABWK
In-Kind \$12,500 Source: Valspar 1% of Total ABWK

Are other sources of funding available?

Committed Churches, Businesses, etc. including Federal Home Loan Bank and Texas Department of Housing and Community Affairs assist in the construction of the homes. Also, Prosper Bank provides 0% interest on interim construction loans.

Have any other federal, state, or municipal entities or foundations been approached for funding?

Yes, City of McKinney CDBG \$10,000
LegacyTexas Bank \$5,000 6/2015
Thrivent Financial \$12,500 5/2015
Junior League of Collin County \$5,000 (proposed)

IV. Marketing and Outreach

NCC Habitat has a multi-faceted marketing strategy to promote our programs and organizational goals. All of these initiatives would foster awareness and interest in the projects for which we are seeking funding.

- **Billboard Advertising** - This fall we have secured advertising space on a billboard located on Highway 5 encouraging families to apply for our housing programs.
- **Redesigned Website** - We have a newly redesigned website with complete program information including income guidelines and application process steps for all programs.
- **Door Hangers** - We are in the process of designing a door hanger marketing piece with details of the ABWK program. The piece will be distributed on doors of homes in the areas we are actively working where our services might be needed.
- **Public Events** – As we promote the construction of the 100th home built by our affiliate, we are attending several events throughout the area generating awareness for our programs. One such event is the North Texas Giving Day in September where we set up a booth on the McKinney Square. We actively promote the event through our Facebook pages, Chamber attendance, and local advertising.
- **Newspaper Articles** – Public Relations campaigns have been initiated to garner media publicity for our 100th home which will highlight our housing programs for families and the impact our affiliate has had on the service area, much of which has been completed in McKinney. We have already received favorable response from the media on this event.
- **Church Involvement** – We are well connected with several key churches in the area. Often, a church working with us on a home is building the home of one of its church members. Churches have been another good way to inform the public of our programs and help for families.
- **Strategic Board of Directors** – Our Board of Directors have been able to leverage their relationships and backgrounds to provide financing, generate awareness, and promote our housing programs to those in need. One example of this is Jason Jupiterwala's association with Thrivent Financial which has helped us gain needed funds for the ABWK program through the Thrivent Builds Repairs program specifically designed to fund home repair projects for low income homeowners. Money was received from this relationship to repair 5 homes.

V. Metrics to Evaluate Success

ABWK projects are easily evaluated through before and after results. These projects are well photographed and documented and offer a telling story of the impact the completion of these projects have for not only the homeowner but the neighborhood surrounding it.

Land acquisition success will be measured by the successful closing and development of the lots for affordable housing. When a decent, affordable home is constructed on the purchased lot and a new family moves in, the goal has been reached.

VI. Status on Funding Approvals from 2014

In Cycle III of MCDC Project Grants in 2014, NCC Habitat was awarded \$188,870 for the purchase of 10 lots and the rehabilitation of 27 ABWK projects. NCC Habitat is in the process of purchasing a large parcel of land in McKinney which should close by August 31, 2015. We have also submitted a Reallocation of Funds Request to shift funds from surveys and lot prep to land acquisition to be able to purchase the parcel of land. Once approved, this land will close.

Reallocation of Funds Request to shift funds from surveys and lot prep to land acquisition to be able to purchase the parcel of land. Once approved, this land will close.

Similarly, NCC Habitat has completed 22 ABWK projects during this cycle of funding. We have already requested most of the funds granted to NCC Habitat during the 2014 Project grant phase and anticipate submitting requests for the additional funds by August 15th, 2015 for projects completing now. We understand the Cycle III funding for 2014 to extend until September 30, 2015 by which date we expect to have exhausted all of the funds granted to NCC Habitat from the 2014 grant phase.

It is our hope that the full use of the time line available for 2014 Project Grant fund requests will not adversely impact the funds for which we are currently applying. Costs for land and home renovations have steadily increased and projects completed in McKinney are no exception. We recognize that our incurred costs for these projects have exceeded expectations, but have adjusted our goals and grant request amounts accordingly.

Waiting Families Needing Homes in McKinney



Nancy Johnson & Family



Rebecca Evans & Family



Tashuania Jones & Family



Elinor Williams & Family



Linda Marie Perkins & Family



Reynaldo de la torre Duque & Family



Kay McFadden & Family

Home in construction



Jessica Garcia & Family

Home in construction



Veronica Castro & Family

Home in construction

Acknowledgements - continued

- MCDC will be recognized in all marketing, outreach, advertising and public relations as a funder of the Project/Promotion/Community Event. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement;
- Organization's officials who have signed the application are authorized by the organization to submit the application;
- Applicant will comply with the MCDC Grant Guidelines in executing the Project/Promotion/Community Event for which funds were received.
- A final report detailing the success of the Project/Promotion/Community Event, as measured against identified metrics, will be provided to MCDC no later than 30 days following the completion of the Project/Promotion/Community Event.
- Up to 80% of the approved grant may be provided, on a reimbursement basis, prior to conclusion of the Project/Promotion/Community Event with submission of invoices/receipts to MCDC. The final 20% may be paid following MCDC's receipt of unpaid invoices/receipts; documentation of fulfillment of obligations to MCDC; and final report on the Project/Promotion/Community Event.
- The required performance agreement will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120th day after the date the MCDC notifies the applicant of the violation.

We certify that all figures, facts and representations made in this application, including attachments, are true and correct to the best of our knowledge.

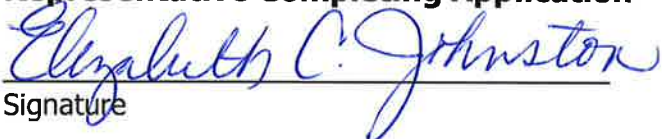
Chief Executive Officer


Signature

Celeste H. Cox
Printed Name

July 25, 2015
Date

Representative Completing Application


Signature

Elizabeth C. Johnston
Printed Name

July 25, 2015
Date

INCOMPLETE APPLICATIONS, OR THOSE RECEIVED AFTER THE DEADLINE, WILL NOT BE CONSIDERED.

CHECKLIST:

Completed Application:

- Use the form/format provided
- Organization Description
- Outline of Project/Promotion/Community Event; description, goals and objectives
- Project/Promotion/Community Event timeline and venue
- Plans for marketing and outreach
- Evaluation metrics
- List of board of directors and staff

Attachments:

- Financials: organization's budget for current fiscal year; Project/Promotion/Community Event budget; audited financial statements
- Feasibility Study or Market Analysis if completed (Executive Summary)
- IRS Determination Letter (if applicable)

A FINAL REPORT IS TO BE PROVIDED TO MCDC WITHIN 30 DAYS OF THE EVENT/COMPLETION OF THE PROJECT/PROMOTION/COMMUNITY EVENT.

FINAL PAYMENT OF FUNDING AWARDED WILL BE MADE UPON RECEIPT OF FINAL REPORT.

PLEASE USE THE FORM/FORMAT OUTLINED ON THE NEXT PAGE.



McKINNEY COMMUNITY DEVELOPMENT CORPORATION

Final Report

Organization:

Funding Amount:

Project/Promotion/Community Event:

Start Date:

Completion Date:

Location of Project/Promotion/Community Event:

Please include the following in your report:

- Narrative report on the Project/Promotion/Community Event
- Identify goals and objectives achieved
- Financial report – budget as proposed and actual expenditures, with explanations for any variance
- Samples of printed marketing and outreach materials
- Screen shots of online promotions
- Photographs, slides, videotapes, etc.
- Performance against metrics outlined in application

Please submit Final Report no later than 30 days following the completion of the Project/Promotion/Community Event to:

McKinney Community Development Corporation
5900 S. Lake Forest Blvd., Suite 110
McKinney, TX 75070

Attn: Cindy Schneible
cschneible@mckinneycdc.org

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I. Listing of Board of Directors and Staff

II. Audited Financial Statements

A. FY 2013 – 2014

B. FY 2012 – 2013

III. NCC Habitat Budget for Fiscal Year 2015 – 2016

IV. IRS Determination Letter

V. Board Approval for Grant

VI. Market Analysis



North Collin County Habitat for Humanity Leadership Team

Staff Directors

Celeste Cox - Executive Director

Andrea Tabor - Director of Operations

Ruthie Drye - Director of Finance

Mike Haigh - Director of Construction

Brett Buckley - Director of ReStore Operations

LaVeeta Hamilton - Director of Family Programs

North Collin County Habitat for Humanity Board of Directors

Terry Busha - President

Matt Hilton - President-Elect

Jerrica Anderson - Vice President

Larry Hoffman - Treasurer

Nelson Carter - Secretary

Cindy Maxwell-Bathea - Assistant Secretary

Larry Pietenpol - Past Pres.

Rick Alcala

Robin Avgerenos

Steve Darling

David Hale

Jason Jupiterwala

Jack Kocks

JR Russell

Fr. Don Zeiler

**NORTH COLLIN COUNTY
HABITAT FOR HUMANITY**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013**

WITH INDEPENDENT AUDITORS' REPORT

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Collin County Habitat for Humanity

We have audited the accompanying statements of financial position of North Collin County Habitat for Humanity (a nonprofit organization) as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended.

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 presented fairly in all material respects, the financial position of North Collin County Habitat for Humanity 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 16-17 are presented for purposes of additional analysis and are 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.

Pattillo, Brown & Hill, L.L.P.

October 10, 2014

FINANCIAL STATEMENTS

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NORTH COLLIN COUNTY HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 96,961	\$ 76,204
Temporarily restricted cash	40,144	36,500
Contributions receivable	301,384	21,500
Inventory	193,531	204,267
Inventories - land	203,573	158,527
Non-interest bearing mortgages receivable - current	145,266	142,891
TDHCA Boot Strap agency receivables - current	50,188	44,938
Other assets	315	315
Total Current Assets	<u>1,031,362</u>	<u>685,142</u>
LONG-TERM ASSETS		
Property, furniture and equipment (net)	1,556,404	1,494,114
Contributions receivable	60,500	46,000
Non-interest bearing mortgages receivable - long-term	1,865,651	1,962,119
TDHCA Boot Strap agency receivables - long-term	766,899	700,394
HBA agency receivable	17,250	18,250
Discount on non-interest bearing mortgage	(1,018,045)	(1,063,776)
Construction in progress	274,823	104,073
Total Property and Equipment	<u>3,523,482</u>	<u>3,261,174</u>
Total Assets	<u>\$ 4,554,844</u>	<u>\$ 3,946,316</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 95,509	\$ 111,133
Escrow-mortgage holders	67,834	67,073
Due to ReStore	36,780	18,570
Due to TDHCA Boot Strap - current	50,188	35,938
Line of credit	-	25,631
Current portion of long-term notes payable	96,924	128,630
Total Current Liabilities	<u>347,235</u>	<u>386,975</u>
LONG-TERM LIABILITIES		
Due to TDHCA Bootstrap - long-term	767,465	711,528
Due to HBA	14,667	16,667
Long-term notes payable	1,358,114	1,220,545
Total Long-term Liabilities	<u>2,140,246</u>	<u>1,948,740</u>
Total Liabilities	<u>2,487,481</u>	<u>2,335,715</u>
NET ASSETS		
Unrestricted	1,571,452	1,509,582
Temporarily restricted	495,911	101,019
Total Net Assets	<u>2,067,363</u>	<u>1,610,601</u>
Total Liabilities and Net Assets	<u>\$ 4,554,844</u>	<u>\$ 3,946,316</u>

The accompanying notes are an integral part of these financial statements.

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NORTH COLLIN COUNTY HABITAT FOR HUMANITY

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
REVENUE AND OTHER SUPPORT				
Grants	\$ -	\$ 398,177	\$ 398,177	\$ 190,085
Contributions	77,650	380,066	457,716	202,041
Contributions - non cash	202,175	-	202,175	147,659
Donated materials	409,827	-	409,827	371,069
Discount amortization	77,804	-	77,804	68,750
Transfers to homeowners	293,024	-	293,024	650,000
ReStore sales	1,104,557	-	1,104,557	1,016,897
Special events, net of expenses	13,429	-	13,429	5,048
Miscellaneous	20,470	-	20,470	22,244
Interest income	208	-	208	301
Net assets released from restrictions	<u>383,351</u>	<u>(383,351)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>2,582,495</u>	<u>394,892</u>	<u>2,977,387</u>	<u>2,674,094</u>
EXPENSES				
Home ownership program	985,281	-	985,281	1,548,153
ReStore program	1,424,682	-	1,424,682	1,277,891
Management and administrative	<u>131,427</u>	<u>-</u>	<u>131,427</u>	<u>110,351</u>
Total Expenses	<u>2,541,390</u>	<u>-</u>	<u>2,541,390</u>	<u>2,936,395</u>
OTHER INCOME/(EXPENSES)				
Gain (Loss) on disposition of assets	<u>20,765</u>	<u>-</u>	<u>20,765</u>	<u>(25,755)</u>
CHANGE IN NET ASSETS	61,870	394,892	456,762	(288,056)
NET ASSETS, BEGINNING OF YEAR	<u>1,509,582</u>	<u>101,019</u>	<u>1,610,601</u>	<u>1,898,657</u>
NET ASSETS, END OF YEAR	<u>\$ 1,571,452</u>	<u>\$ 495,911</u>	<u>\$ 2,067,363</u>	<u>\$ 1,610,601</u>

The accompanying notes are an integral part of these financial statements.

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NORTH COLLIN COUNTY HABITAT FOR HUMANITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 456,762	\$(288,056)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	87,007	79,946
Discount amortization-mortgages	(45,731)	140,995
Transfer to homeowners	(293,024)	(435,500)
Loss on the disposal of assets	21,925	25,755
Effect of changes in assets and liabilities:		
(Increase) decrease in inventories - (lots)	(45,046)	454
(Increase) decrease in inventories - (resale)	10,736	(38,028)
(Increase) decrease in contributions receivable	(294,384)	(5,000)
(Increase) decrease in agency receivable	(2,568)	(20,164)
(Increase) decrease in other assets	-	8,654
(Increase) decrease in homes under construction	(170,750)	450,969
Increase (decrease) in accounts payable and accrued expenses	3,347	6,078
Net Cash Used by Operating Activities	(271,726)	(73,897)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of land, building and equipment	(171,222)	(87,177)
Net loan proceeds	80,232	(45,961)
Mortgage payments received	387,117	139,925
Net Cash Provided by Investing Activities	296,127	6,787
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,401	(67,110)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	112,704	179,814
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 137,105	\$ 112,704
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Issuance of non-interest bearing mortgage loans	\$ 293,024	\$ 650,000
Discount on non-interest bearing mortgages loans	(32,070)	(209,749)
Transfers to homeowners subject to non-interest bearing mortgage loans	\$ 260,954	\$ 440,251
Cash paid for interest	\$ 57,110	\$ 76,640

The accompanying notes are an integral part of these financial statements.

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

North Collin County Habitat for Humanity, Inc. dba (“Habitat”) is a not-for-profit interdenominational organization whose purpose is to encourage, promote and assist in the building and rehabilitation of housing for ownership by low-income persons in the North Collin County area (Frisco, Celina, McKinney, Princeton, Anna, Melissa, Prosper, Farmersville, New Hope, and Blue Ridge). Habitat is an affiliate of Habitat for Humanity International, Inc., located in Americus, Georgia.

Habitat is a privately operated and financed program that transfers such housing to low income persons at cost after completion of construction, utilizing non-interest bearing notes. Habitat expects to continue to finance its operations through continuing contributions and mortgage receipts.

Habitat’s Program Services includes the home construction program and the ReStore Program (a retail operation) that sells usable materials donated by retail businesses, construction companies, contractors, and the general public at below cost prices. The proceeds from the ReStore fund Habitat’s community programs.

Habitat is a nonprofit organization, as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes and has been classified as a publicly supported organization as described in Sections 509(a)(1) and 170(b)(A)(VI).

Basis of Accounting

The financial statements of North Collin County Habitat for Humanity have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, “Not-for-Profit Entities.” Under ASC 958, North Collin County Habitat for Humanity is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Also in accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

A description of the three net asset categories follows:

Unrestricted Net Assets

Unrestricted Net Assets represent resources over which the Board of Directors has discretionary control and can be used currently for the general purposes North Collin County Habitat for Humanity in accordance with its bylaws. The Board may voluntarily designate unrestricted resources of specific purposes, but this is a voluntary action of the governing board that can be modified or reversed at its discretion. These designations of unrestricted resources by the governing board do not have the same legal requirements as do restrictions of funds.

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor.

Permanently Restricted Net Assets

Permanently Restricted Net Assets represent principal amounts of gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or a specified period, with only the income to be utilized.

Cash and Cash Equivalents

North Collin County Habitat for Humanity considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in temporarily restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due.

Mortgages Receivable

Mortgages receivables consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments. The mortgages have an original maturity of 20 years. These mortgages have been discounted at various rates ranging from 7.39% to 8.78% based on the prevailing market rates at the inception of the mortgages. Interest income (amortization of the discount) is recorded using the straight-line method over the lives of the mortgages.

Property and Equipment

Fixed asset acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets and is computed using the straight-line method. Leasehold improvements are amortized over the life of the lease or asset, whichever is shorter. This amortization expense is reported as a part of occupancy cost.

Construction in Progress

Construction in progress is recorded at cost and includes all direct material, labor and equipment costs and those indirect costs related to home construction such as indirect labor, supplies and tool costs. Land costs included in construction-in-progress are stated at the lower of cost or the fair value at the date of the contribution. Included in land costs are any costs incurred in development. When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the statement of activities as program services.

Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. In the absence of explicit donor stipulations about how long-lived assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired long-lived assets are placed.

Functional Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis. Accordingly, certain costs have been allocated between program and supporting services in reasonable ratios determined by management.

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.

Tax Status

Habitat is incorporated exempted from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending June 30, 2011, 2012 and 2013 are still open to audit for both federal and state purposes. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

2. **PROPERTY AND EQUIPMENT**

Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the respective assets, ranging from five to fifteen years.

	<u>06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/14</u>
Land	\$ 256,597	\$ -	\$ -	\$ 256,597
Buildings and improvements	1,155,176	89,104	-	1,244,280
Furniture and fixtures	137,968	9,187	-	147,155
Vehicles and trailers	78,984	6,834	-	85,818
Machinery and equipment	<u>46,419</u>	<u>44,172</u>	<u>-</u>	<u>90,591</u>
	1,675,144	149,297	-	1,824,441
Less accumulated depreciation	<u>(181,030)</u>	<u>(87,007)</u>	<u>-</u>	<u>(268,037)</u>
Total property and equipment, net of depreciation	<u>\$ 1,494,114</u>	<u>\$ 62,290</u>	<u>\$ -</u>	<u>\$ 1,556,404</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$87,007 and \$79,946, respectively.

3. CONSTRUCTION IN PROGRESS

Real estate costs, building materials and contract labor are recorded at cost when incurred. The administrative costs of developing projects are allocated to the respective projects. Construction in progress consists of the following:

	June 30, 2014		June 30, 2013	
	Number	Cost	Number	Cost
Homes under construction at beginning of year	3	\$ 104,073	8	\$ 555,039
Additional cost incurred during the year	-	118,867	-	129,425
New homes started during the year	8	418,823	4	195,556
Homes transferred during the year	(5)	(366,940)	(9)	(775,947)
Homes under construction at year-end	<u>6</u>	<u>\$ 274,823</u>	<u>3</u>	<u>\$ 104,073</u>

4. INVENTORIES

Land inventory consists of home lots to be developed and costs incurred in conjunction with home construction. They are capitalized until the completion of each home. Home lot inventory was \$203,573 and \$158,527 as of June 30, 2014 and 2013, respectively.

Inventory for the ReStore consists of items for resale which have been either purchased by Habitat or donated to the Organization. All purchased inventory is valued at the lower of cost or market. All donated inventory is recognized as contribution revenue at fair market value on the date of donation and also immediately recognized as contribution expense. Therefore, donated items are carried in inventory with no value. Thus, the balance of inventory, representing only those items purchased by the ReStore, totaled \$193,531 and \$204,267 as of June 30, 2014 and 2013, respectively.

5. SALES TO HOMEOWNERS

During the years ended June 30, 2014 and 2013, four and seven homes were sold to qualifying applicants, respectively. The resulting mortgages are non-interest bearing and the presentation of their book value have been discounted based upon the prevailing market rates for low-income housing at the inception of the mortgages. The discount rates for the years ended June 30, 2014 and 2013 were 7.58% and 7.39%, respectively. The discounts totaled \$31,669 for 2014 and \$209,749 for 2013.

6. MORTGAGES RECEIVABLE

Habitat finances all of the homes that are sold. Each mortgage is issued as a zero-interest mortgage to the buyer. Habitat discounts the mortgages using the current interest rates at the time the home is sold. The discount is amortized using the effective interest method. Mortgages receivable as of June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Mortgages receivable (at face value)	\$ 2,010,917	\$ 2,105,010
Unamortized discount on mortgages	<u>(1,018,045)</u>	<u>(1,063,776)</u>
	<u>\$ 992,872</u>	<u>\$ 1,041,234</u>

Future collections on these mortgages will be received over the next five years as follows:

2015	\$ 145,266
2016	145,266
2017	145,266
2018	145,266
2019	145,266
Thereafter	<u>1,284,587</u>
Total	<u>\$ 2,010,917</u>

Mortgages are considered delinquent when the monthly mortgage payment is at least 31 days past due. As of June 30, 2014, sixteen mortgages totaling \$10,729 were past due. As of June 30, 2013, seven mortgages totaling \$3,466 were past due. Habitat is in the process of making arrangements with the individual homeowners to bring their balance to current. All balances are believed to be collectible and no allowance has been recognized.

Some of the homeowners who have mortgages with Habitat have entered into a secondary loan agreement with the Texas Department of Housing and Community Affairs Texas Boot Strap Loan Program. Habitat continues to collect and manage these mortgages, and then remits the amount collected to the agency. These amounts are reported as agency receivables and agency payables on the statement of financial position and normally do not have any effect on the change in net assets. As of June 30, 2014, the balance in the agency receivables is \$817,087 and agency payables account is \$817,653. The balances of the agency receivable and payable as of June 30, 2013 were \$745,332 and \$747,466, respectively. Typically, the balance of the agency receivable equals the balance of the agency payable. However, during the current and prior fiscal year, Habitat decided to take back the house of one homeowner. While the Organization wrote off the outstanding receivable from the homeowner, Habitat is still liable to TDHCA for the balance due to them from the homeowner.

During 2012, two homeowners also entered into secondary agreements with the Texas Department of Housing and Community Affairs Homebuyer Assistance Program. Similar as to their agreement with the TDHCA Texas Boot Strap Loan Program, Habitat continues to collect and manage these mortgages and then remits the amount collected to the agency. These amounts are reported as agency receivables and agency payables on the statement of financial position and do not have any effect on the change in net assets. As of June 30, 2014, the balances of the agency receivable and payable were \$17,250 and \$14,667, respectively. As of June 30, 2013, the balance of the agency receivable and agency payable were \$18,250 and \$16,667, respectively.

7. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2014 are as follows:

Less than 1 year	\$ 301,384
1 year to 5 years	<u>60,500</u>
	<u>\$ 361,884</u>

8. NOTES PAYABLE

Notes Payable consists of the following notes as of June 30, 2014:

	<u>2014</u>	<u>2013</u>
Line of credit to a District of Columbia nonprofit corporation in the amount of \$50,200 due May 31, 2014; interest rate of 6.25%.	\$ -	\$ 25,887
Line of credit to a bank in the amount of \$25,000 due October 21, 2014; interest rate of %0.	25,000	-
Note payable to a bank; interest rate of 5.25%; due May 25, 2026. Secured by Land & Building.	858,963	914,206
Note payable to a bank; interest rate of prime + 2.275% with a floor of 6%, due November 28, 2015. Secured by the Building.	-	25,631
Note payable to a vehicle financing company; interest rate of 1.90%; due June 14, 2017. Secured by the associated vehicle.	<u>13,362</u>	<u>17,919</u>
	897,325	983,643
Less current installments	<u>(63,066)</u>	<u>(61,272)</u>
Long-term debt, excluding current installments	<u>\$ 834,259</u>	<u>\$ 922,371</u>

During the year, Habitat entered into six loan purchases and servicing agreements with a bank, whereas the Organization sold the outstanding balance of six mortgages receivable to a bank, but maintains servicing responsibilities. The balance of these notes payable to the bank is \$185,502 as of June 30, 2014. They bear a 0% rate of interest and will mature in September 1, 2031.

Habitat has nine additional loan purchase and servicing agreements with two other banks. The balance of these notes payable to the banks was \$372,211 as of June 30, 2014 and \$391,163 as of June 30, 2013. They bear a 4% rate of interest and will mature in June 2030 and June 2032.

The net servicing income generated from these loans is nominal and insignificant to the financial statements. As such, no servicing asset has been recognized.

9. IN-KIND CONTRIBUTIONS

Habitat receives in-kind contributions of land, materials and services used in the construction of its homes. The contributed asset is recognized as an asset at its estimated fair value at the date of give, provided that the value of the asset and its estimated useful life meets Habitat's capitalization policy. The total amount for in-kind contributions for the year ending June 30, 2014 was \$202,175 and \$147,659 in 2013.

Habitat also received furniture, household items and constructional materials used in home construction and repair for sale in the ReStore. All donations are valued at the estimated fair market value on the date the donation is made.

10. RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

	<u>2014</u>	<u>2013</u>
Temporarily restricted		
Contributions Temporarily Restricted	<u>\$ 495,911</u>	<u>\$ 101,019</u>

11. OPERATING LEASES

Habitat leases office equipment under operating lease agreements with various terms. The lease agreements have expiration dates ranging February to July of 2016.

Annual minimum lease payments on these leases are as follows:

2015	\$ 7,409
2016	7,409
2017	-
2018	-
2019	-
Thereafter	<u>-</u>
	<u>\$ 14,818</u>

Rent expense for the years ended June 30, 2014 and 2013, was \$9,076 and \$8,555 respectively.

12. COMMITMENTS AND CONTINGENCIES

In addition to the non-interest bearing mortgage received from the sale of each home, Habitat receives a shared appreciation agreement. The shared appreciation agreement allows Habitat to collect the lowest independent appraised value as an additional amount upon the sale or refinance within 20 years of the original sale contract. The shared appreciation agreement payoff is considered less than probable or remote and therefore no receivable has been recorded in the financial statements.

13. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents balances in local financial institutions. All accounts for a single depositor are insured by the Federal Deposits Insurance Corporation up to \$250,000. The Organization's had no uninsured cash balances as of June 30, 2014 and June 30, 2013.

Habitat's programs are concentrated in the northern portion of Collin County. The Organization receives donations, home sales and collection of mortgage receivables in this area. Changes in economic conditions may impact the Organization.

The Organization's purpose is to provide housing for low-income homeowners. As such, it is likely that the mortgage holders would be unable to qualify for a mortgage from a traditional financial institution. This poses an inherent risk to Habitat that the mortgages receivable will be partially uncollectible. To mitigate the risk of overstating the ability of the Organization to fully collect the mortgages, the notes receivable have been discounted using the prevailing market rate for low-income housing at the inception of the note. Additionally, all notes receivable are collateralized by the real estate associated with the mortgage.

14. TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat annually remits 10% of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2014, Habitat contributed \$20,000 to Habitat International and \$20,005 in 2013. In addition to these unrestricted contributions to Habitat International, Habitat also paid a support fee in the amount of \$5,000 for the year ended June 30, 2014 and \$0 for the year ended June 30, 2013.

15. RECLASSIFICATIONS

Certain reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 10, 2014, the issuance date of the report. No subsequent events requiring disclosure were noted.

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SUPPLEMENTAL SCHEDULES

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NORTH COLLIN COUNTY HABITAT FOR HUMANITY

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	Program Services		Support Services	Total
	Construction	ReStore	Management and General	2014
Bank charges	\$ 873	\$ 870	\$ 596	\$ 2,339
Contract labor	-	19,045	-	19,045
Credit card fees	-	20,347	656	21,003
Depreciation expense	8,509	68,373	10,125	87,007
Dues and subscriptions	2,236	1,375	2,740	6,351
Equipment rental	2,048	3,298	3,730	9,076
Fleet expense	4,770	18,078	3,302	26,150
Insurance	7,817	18,963	1,143	27,923
Interest expense	13,172	41,082	2,856	57,110
Materials and supplies	338,203	783,818	-	1,122,021
Miscellaneous	236	1,482	949	2,667
Mortgage discount	32,070	-	-	32,070
Office expenses	3,779	8,695	5,140	17,614
Postage	1,820	855	1,334	4,009
Printing, promotion, and advertising	1,325	28,328	9,282	38,935
Professional fees	3,375	1,125	3,000	7,500
Program expenses	166,047	210	1,376	167,633
Repairs & maintenance	900	7,757	352	9,009
Salaries and benefits	337,921	352,974	78,403	769,298
Telephone	7,676	7,767	1,685	17,128
Tithe	25,000	-	-	25,000
Travel	18,564	1,322	1,664	21,550
Utilities	8,940	38,918	3,094	50,952
Total Expenses	\$ 985,281	\$ 1,424,682	\$ 131,427	\$ 2,541,390

See accompanying independent auditor's report.

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	Program Services		Support Services	Total
	Construction	ReStore	Management and General	2013
Bank charges	\$ 5	\$ 65	\$ 1,609	\$ 1,679
Credit card fees	-	19,184	189	19,373
Depreciation expense	15,007	58,743	6,196	79,946
Dues and subscriptions	1,433	369	3,792	5,594
Equipment rental	4,585	2,786	1,184	8,555
Fleet Expense	3,350	15,074	1,373	19,797
Insurance	7,559	20,006	1,441	29,006
Interest expense	21,403	43,153	12,084	76,640
Materials and supplies	829,240	657,817	-	1,487,057
Meetings & Travel	19,148	1,849	3,014	24,011
Miscellaneous	5,561	2,438	607	8,606
Mortgage discount	209,749	-	-	209,749
Office expenses	8,008	9,006	1,778	18,792
Postage	1,396	647	916	2,959
Printing, promotions, and advertising	4,969	27,125	10,308	42,402
Professional fees	3,375	1,125	3,000	7,500
Program expenses	48,505	60	-	48,565
Repairs & Maintenance	2,938	14,330	3,528	20,796
Salaries and benefits	326,093	362,369	55,557	744,019
Telephone	8,669	8,177	1,946	18,792
Tithe	20,005	-	-	20,005
Utilities	7,155	33,568	1,829	42,552
	<u>\$ 1,548,153</u>	<u>\$ 1,277,891</u>	<u>\$ 110,351</u>	<u>\$ 2,936,395</u>
Total Expenses				

See accompanying independent auditor's report.

**NORTH COLLIN COUNTY
HABITAT FOR HUMANITY**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012**

WITH INDEPENDENT AUDITORS' REPORT

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
North Collin County Habitat for Humanity

We have audited the accompanying statements of financial position of North Collin County Habitat for Humanity (a nonprofit organization) as of June 30, 2013, and 2012 and the related statements of activities and cash flows for the years then ended.

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 presented fairly in all material respects, the financial position of North Collin County Habitat for Humanity as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 15 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.

Pattillo, Brown & Hill, L.L.P.

October 18, 2013

NORTH COLLIN COUNTY HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 76,204	\$ 124,259
Temporarily restricted cash	36,500	55,555
Contributions receivable	21,500	16,000
Inventory	204,267	166,239
Inventories - land	158,527	158,981
Non-interest bearing mortgages receivable - current	142,891	122,709
TDHCA Boot Strap agency receivables	44,938	35,938
Other assets	315	8,969
Total Current Assets	685,142	688,650
LONG-TERM ASSETS		
Property, furniture and equipment (net)	1,494,114	1,512,638
Contributions receivable	46,000	46,500
TDHCA Boot Strap agency receivables	700,394	569,949
HBA agency receivable	18,250	20,000
Non-interest bearing mortgages receivable	1,962,119	1,686,726
Discount on non-interest bearing mortgage	(1,063,776)	(922,781)
Construction in progress	104,073	555,042
Total Property and Equipment	3,261,174	3,468,074
Total Assets	\$ 3,946,316	\$ 4,156,724
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 111,133	\$ 101,511
Escrow-mortgage holders	67,073	65,934
Due to ReStore	18,570	23,253
Due to TDHCA Boot Strap	35,938	35,938
Line of credit	25,631	70,471
Current portion of long-term notes payable	128,630	83,790
Total Current Liabilities	386,975	380,897
LONG-TERM LIABILITIES		
Due to TDHCA Bootstrap	711,528	590,664
Due to HBA	16,667	20,000
Long-term notes payable	1,220,545	1,266,506
Total Long-term Liabilities	1,948,740	1,877,170
Total Liabilities	2,335,715	2,258,067
NET ASSETS		
Unrestricted	1,509,582	1,780,602
Temporarily restricted	101,019	118,055
Total Net Assets	1,610,601	1,898,657
Total Liabilities and Net Assets	\$ 3,946,316	\$ 4,156,724

The accompanying notes are an integral part of these financial statements.

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

(With Summarized Financial Information for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
REVENUE AND OTHER SUPPORT				
Grants	\$ -	\$ 190,085	\$ 190,085	\$ 91,439
Contributions	43,589	158,452	202,041	231,763
Contributions - non cash	147,659	-	147,659	408,670
Discount amortization	68,750	-	68,750	70,449
Transfers to homeowners	650,000	-	650,000	320,000
ReStore sales	1,016,897	-	1,016,897	822,450
Special events, net of expenses	5,048	-	5,048	9,094
Miscellaneous	22,244	-	22,244	7,551
Interest income	301	-	301	282
Net assets released from restrictions	<u>365,573</u>	<u>(365,573)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>2,320,061</u>	<u>(17,036)</u>	<u>2,303,025</u>	<u>1,961,698</u>
EXPENSES				
Home ownership program	1,548,153	-	1,548,153	1,002,532
ReStore program	906,822	-	906,822	746,723
Management and administrative	<u>110,351</u>	<u>-</u>	<u>110,351</u>	<u>128,653</u>
Total Expenses	<u>2,565,326</u>	<u>-</u>	<u>2,565,326</u>	<u>1,877,908</u>
OTHER INCOME/(EXPENSES)				
Loss on disposition of assets	<u>(25,755)</u>	<u>-</u>	<u>(25,755)</u>	<u>(85,554)</u>
CHANGE IN NET ASSETS				
	<u>(271,020)</u>	<u>(17,036)</u>	<u>(288,056)</u>	<u>(1,764)</u>
NET ASSETS, BEGINNING OF YEAR				
	<u>1,780,602</u>	<u>118,055</u>	<u>1,898,657</u>	<u>1,900,421</u>
NET ASSETS, END OF YEAR				
	<u>\$ 1,509,582</u>	<u>\$ 101,019</u>	<u>\$ 1,610,601</u>	<u>\$ 1,898,657</u>

The accompanying notes are an integral part of these financial statements.

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$(288,056)	\$(1,764)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	79,946	59,343
Discount amortization-mortgages	140,995	57,988
Transfer to homeowners	(435,500)	(219,500)
Loss on the disposal of assets	25,755	85,554
Effect of changes in assets and liabilities:		
(Increase) decrease in inventories - (lots)	454	73,085
(Increase) decrease in inventories - (resale)	(38,028)	(65,010)
(Increase) decrease in contributions receivable	(5,000)	13,252
(Increase) decrease in agency receivable	(20,164)	20,715
(Increase) decrease in other assets	8,654	3,178
(Increase) decrease in homes under construction	450,969	(357,171)
Increase (decrease) in accounts payable and accrued expenses	6,078	81,143
Net Cash Provided by Operating Activities	(73,897)	(249,187)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of land, building and equipment	(87,177)	(570,562)
Net loan proceeds	(45,961)	633,627
Mortgage payments received	139,925	140,682
Net Cash Used by Investing Activities	6,787	203,747
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(67,110)	(45,440)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	179,814	225,254
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 112,704	\$ 179,814
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Issuance of non-interest bearing mortgage loans	\$ 650,000	\$ 320,000
Discount on non-interest bearing mortgages loans	(209,749)	(128,440)
Transfers to homeowners subject to non-interest bearing mortgage loans	\$ 440,251	\$ 191,560
Cash paid for interest	\$ 76,640	\$ 65,386

The accompanying notes are an integral part of these financial statements.

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

North Collin County Habitat for Humanity, Inc. dba ("Habitat") is a not-for-profit interdenominational organization whose purpose is to encourage, promote and assist in the building and rehabilitation of housing for ownership by low-income persons in the North Collin County area (Frisco, Celina, McKinney, Princeton, Anna, Melissa, Prosper, Farmersville, New Hope, and Blue Ridge). Habitat is an affiliate of Habitat for Humanity International, Inc., located in Americus, Georgia.

Habitat is a privately operated and financed program that transfers such housing to low income persons at cost after completion of construction, utilizing non-interest bearing notes. Habitat expects to continue to finance its operations through continuing contributions and mortgage receipts.

Habitat's Program Services includes the home construction program and the ReStore Program (a retail operation) that sells usable materials donated by retail businesses, construction companies, contractors, and the general public at below cost prices. The proceeds from the ReStore fund Habitat's community programs.

Habitat is a nonprofit organization, as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes and has been classified as a publicly supported organization as described in Sections 509(a)(1) and 170(b)(A)(VI).

Basis of Accounting

The financial statements of North Collin County Habitat for Humanity have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, "Not-for-Profit Entities." Under ASC 958, North Collin County Habitat for Humanity is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Also in accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

A description of the three net asset categories follows:

Unrestricted Net Assets

Unrestricted Net Assets represent resources over which the Board of Directors has discretionary control and can be used currently for the general purposes North Collin County Habitat for Humanity in accordance with its bylaws. The Board may voluntarily designate unrestricted resources of specific purposes, but this is a voluntary action of the governing board that can be modified or reversed at its discretion. These designations of unrestricted resources by the governing board do not have the same legal requirements as do restrictions of funds.

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor.

Permanently Restricted Net Assets

Permanently Restricted Net Assets represent principal amounts of gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or a specified period, with only the income to be utilized.

Cash and Cash Equivalents

North Collin County Habitat for Humanity considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in temporarily restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due.

Mortgages Receivable

Mortgages receivables consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments. The mortgages have an original maturity of 20 years. These mortgages have been discounted at various rates ranging from 7.39% to 8.78% based on the prevailing market rates at the inception of the mortgages. Interest income (amortization of the discount) is recorded using the straight line method over the lives of the mortgages.

Property and Equipment

Fixed asset acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets and is computed using the straight-line method. Leasehold improvements are amortized over the life of the lease or asset, whichever is shorter. This amortization expense is reported as a part of occupancy cost.

Construction in Progress

Construction in progress is recorded at cost and includes all direct material, labor and equipment costs and those indirect costs related to home construction such as indirect labor, supplies and tool costs. Land costs included in construction-in-progress are stated at the lower of cost or the fair value at the date of the contribution. Included in land costs are any costs incurred in development. When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the statement of activities as program services.

Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. In the absence of explicit donor stipulations about how long-lived assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired long-lived assets are placed.

Functional Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis. Accordingly, certain costs have been allocated between program and supporting services in reasonable ratios determined by management.

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.

Tax Status

Habitat is incorporated exempted from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending June 30, 2010, 2011 and 2012 are still open to audit for both federal and state purposes. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

2. PROPERTY AND EQUIPMENT

Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the respective assets, ranging from five to fifteen years.

	<u>06/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/13</u>
Land	\$ 256,597	\$ -	\$ -	\$ 256,597
Buildings and improvements	1,153,122	45,685	(43,631)	1,155,176
Furniture and fixtures	136,866	1,102	-	137,968
Vehicles and trailers	78,984	-	-	78,984
Machinery and equipment	<u>6,526</u>	<u>39,893</u>	<u>-</u>	<u>46,419</u>
	1,632,095	86,680	(43,631)	1,675,144
Less accumulated depreciation	<u>(119,460)</u>	<u>(79,946)</u>	<u>18,376</u>	<u>(181,030)</u>
Total property and equipment, net of depreciation	<u>\$ 1,512,635</u>	<u>\$ 6,734</u>	<u>\$ (25,255)</u>	<u>\$ 1,494,114</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$79,946 and \$59,343, respectively.

3. CONSTRUCTION IN PROGRESS

Real estate costs, building materials and contract labor are recorded at cost when incurred. The administrative costs of developing projects are allocated to the respective projects. Construction in progress consists of the following

	June 30, 2013		June 30, 2012	
	<u>Number</u>	<u>Cost</u>	<u>Number</u>	<u>Cost</u>
Homes under construction				
July 1, 2012	8	\$ 555,039	4	\$ 197,871
Additional cost incurred				
during the year	-	129,425	-	5,802
New homes started				
during the year	4	195,556	9	817,829
Homes transferred				
during the year	(9)	(775,947)	(5)	(466,463)
Homes under construction				
June 30, 2013	<u>3</u>	<u>\$ 104,073</u>	<u>8</u>	<u>\$ 555,039</u>

4. INVENTORIES

Land inventory consists of home lots to be developed and costs incurred in conjunction with home construction. They are capitalized until the completion of each home. Home lot inventory was \$158,527 and \$158,981 as of June 30, 2013 and 2012, respectively.

Inventory for the ReStore consists of items for resale which have been either purchased by Habitat or donated to the Organization. All purchased inventory is valued at the lower of cost or market. All donated inventory is recognized as contribution revenue at fair market value on the date of donation and also immediately recognized as contribution expense. Therefore, donated items are carried in inventory with no value. Thus, the balance of inventory, representing only those items purchased by the ReStore, totaled \$204,267 and \$166,239 as of June 30, 2013 and 2012, respectively.

5. SALES TO HOMEOWNERS

During the year, 9 homes were sold to qualifying applicants. The resulting mortgages are non-interest bearing and the presentation of their book value have been discounted based upon the prevailing market rates for low-income housing at the inception of the mortgages (current year's rate 7.39%). The discount totaled \$209,749 for 2013 and \$128,440 for 2012.

6. MORTGAGES RECEIVABLE

Habitat finances all of the homes that are sold. Each mortgage is issued as a zero-interest mortgage to the buyer. Habitat discounts the mortgages using the current interest rates at the time the home is sold. The discount is amortized using the effective interest method. Mortgages receivable as of June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Mortgages receivable (at face value)	\$ 2,105,010	\$ 1,809,435
Unamortized discount on mortgages	<u>(1,063,776)</u>	<u>(922,781)</u>
	<u>\$ 1,041,234</u>	<u>\$ 886,654</u>

Future collections on these mortgages will be received over the next five years as follows:

2014	\$ 142,891
2015	142,891
2016	142,891
2017	142,891
2018	142,891
Thereafter	<u>1,390,555</u>
Total	<u>\$ 2,105,010</u>

Mortgages are considered delinquent when the monthly mortgage payment is at least 31 days past due. As of June 30, 2013, seven mortgages totaling \$3,466 were past due. Habitat is in the process of making arrangements with the individual homeowners to bring their balance to current. All balances are believed to be collectible and no allowance has been recognized.

Some of the homeowners who have mortgages with Habitat have entered into a secondary loan agreement with the Texas Department of Housing and Community Affairs Texas Boot Strap Loan Program. Habitat continues to collect and manage these mortgages, and then remits the amount collected to the agency. These amounts are reported as agency receivables and agency payables on the statement of financial position and normally do not have any effect on the change in net assets. As of June 30, 2013, the balance in the agency receivables is \$745,332 and agency payables account is \$747,466. Typically, the balance of the agency receivable equals the balance of the agency payable. However, during the current fiscal year, Habitat decided to take back the house of one homeowner. While the Organization wrote off the outstanding receivable from the homeowner, Habitat is still liable to TDHCA for the balance due to them from the homeowner. The balances of the agency receivable and payable as of June 30, 2012 were \$605,887 and \$626,602, respectively.

During the prior fiscal year, two homeowners also entered into secondary agreements with the Texas Department of Housing and Community Affairs Homebuyer Assistance Program. Similar as to their agreement with the TDHCA Texas Boot Strap Loan Program, Habitat continues to collect and manage these mortgages and then remits the amount collected to the agency. These amounts are reported as agency receivables and agency payables on the statement of financial position and do not have any effect on the change in net assets. As of June 30, 2013, the balances of the agency receivable and payable were \$18,250 and \$16,667, respectively. As of June 30, 2012, the balance of the agency receivable and agency payable was \$20,000 for both.

7. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2013 are as follows:

Less than 1 year	\$	21,500
1 year to 5 years		<u>46,000</u>
	\$	<u>67,500</u>

8. NOTES PAYABLE

Notes Payable consists of the following notes as of June 30, 2013:

	<u>2013</u>	<u>2012</u>
Raza Development Fund in the amount of \$50,200 due May 31, 2014; interest rate of 6.25%.	\$ 25,887	\$ 48,241
Note payable to Habitat for Humanity International, Inc. Accelerated Cost Recovery Program (FlexCAP); 5.5% interest rate, due December 31, 2016. Secured by Mortgage Notes.	-	137,167
Line of credit to a bank converted to a note payable fiscal year 2012; interest rate of 5.25%; due May 25, 2026. Secured by Land & Building.	914,206	943,051
Note payable to a bank; interest rate of prime + 2.275% with a floor of 6%, due October 25, 2013. Secured by the Building.	25,631	70,470
Note payable to a vehicle financing company; interest rate of 1.90%; due June 14, 2017. Secured by the associated vehicle.	<u>17,919</u>	<u>22,380</u>
	983,643	1,221,309
Less current installments	<u>(61,272)</u>	<u>(154,261)</u>
Long-term debt, excluding current installments	<u>\$ 922,371</u>	<u>\$ 1,067,048</u>

During the year, Habitat entered into three loan purchases and servicing agreements with a bank, whereas the Organization sold the outstanding balance of three mortgages receivable to a bank, but maintains servicing responsibilities. The balance of these notes payable to the bank is \$200,022 as of June 30, 2013. They bear a 4% rate of interest and will mature in June 2030.

Habitat has six additional loan purchase and servicing agreements with another bank. The balance of these notes payable to the bank was \$191,141 as of June 30, 2013 and \$199,457 as of June 30, 2012. They bear a 4% rate of interest and will mature in June 2032.

The net servicing income generated from these loans is nominal and insignificant to the financial statements. As such, no servicing asset has been recognized.

9. IN-KIND CONTRIBUTIONS

Habitat receives in-kind contributions of land, materials and services used in the construction of its homes. The contributed asset is recognized as an asset at its estimated fair value at the date of give, provided that the value of the asset and its estimated useful life meets Habitat’s capitalization policy. The total amount for in-kind contributions for the year ending June 30, 2013 was \$147,659 and \$408,670 in 2012.

Habitat also received furniture, household items and constructional materials used in home construction and repair for sale in the ReStore. All donations are valued at the estimated fair market value on the date the donation is made.

10. RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Temporarily restricted		
Contributions Temporarily Restricted	<u>\$ 101,019</u>	<u>\$ 118,055</u>

11. OPERATING LEASES

Habitat leases office equipment under operating lease agreements with various terms. The lease agreements have expiration dates ranging February to July of 2016.

Annual minimum lease payments on these leases are as follows:

2014	7,409
2015	7,409
2016	7,409
2017	-
2018	-
Thereafter	-
	<u>\$ 22,227</u>

Rent expense for the years ended June 30, 2013 and 2012, was \$8,555 and \$9,184 respectively.

12. COMMITMENTS AND CONTINGENCIES

In addition to the non-interest bearing mortgage received from the sale of each home, Habitat receives a shared appreciation agreement. The shared appreciation agreement allows Habitat to collect the lowest independent appraised value as an additional amount upon the sale or refinance within 20 years of the original sale contract. The shared appreciation agreement payoff is considered less than probable or remote and therefore no receivable has been recorded in the financial statements.

13. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents balances in local financial institutions. All accounts for a single depositor are insured by the Federal Deposits Insurance Corporation up to \$250,000. The Organization's had no uninsured cash balances as of June 30, 2013 and June 30, 2012.

Habitat's programs are concentrated in the northern portion of Collin County. The Organization receives donations, home sales and collection of mortgage receivables in this area. Changes in economic conditions may impact the Organization.

The Organization's purpose is to provide housing for low-income homeowners. As such, it is likely that the mortgage holders would be unable to qualify for a mortgage from a traditional financial institution. This poses an inherent risk to Habitat that the mortgages receivable will be partially uncollectible. To mitigate the risk of overstating the ability of the Organization to fully collect the mortgages, the notes receivable have been discounted using the prevailing market rate for low-income housing at the inception of the note. Additionally, all notes receivable are collateralized by the real estate associated with the mortgage.

14. TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat annually remits 10% of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2013, Habitat contributed \$20,005 to Habitat International and \$10,000 in 2012.

15. RECLASSIFICATIONS

Certain reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 18, 2013, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

SUPPLEMENTAL SCHEDULES

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	Program Services		Support Services	Total
	Construction	ReStore	Management and General	2013
Salaries and benefits	\$ 326,093	\$ 362,369	\$ 55,557	\$ 744,019
Mortgage discount	209,749	-	-	209,749
Materials and supplies	829,240	286,748	-	1,115,988
Insurance	7,559	20,006	1,441	29,006
Rent	-	-	-	-
Telephone	8,669	8,177	1,946	18,792
Program expenses	48,505	60	-	48,565
Tithe	20,005	-	-	20,005
Fleet Expense	3,350	15,074	1,373	19,797
Office expenses	8,008	9,006	1,778	18,792
Repairs & Maintenance	2,938	14,330	3,528	20,796
Printing, promotions, and advertising	4,969	27,125	10,308	42,402
Postage	1,396	647	916	2,959
Dues and subscriptions	1,433	369	3,792	5,594
Bank charges	5	65	1,609	1,679
Credit card fees	-	19,184	189	19,373
Equipment rental	4,585	2,786	1,184	8,555
Depreciation expense	15,007	58,743	6,196	79,946
Utilities	7,155	33,568	1,829	42,552
Interest expense	21,403	43,153	12,084	76,640
Professional fees	3,375	1,125	3,000	7,500
Miscellaneous	5,561	2,438	607	8,606
Meetings & Travel	19,148	1,849	3,014	24,011
Total Expenses	\$ 1,548,153	\$ 906,822	\$ 110,351	\$ 2,565,326

See accompanying independent auditor's report.

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	Program Services		Support Services	Total
	Construction	ReStore	Management and General	2012
Salaries and benefits	\$ 268,082	\$ 292,840	\$ 52,517	\$ 613,439
Mortgage discount	128,440	-	-	128,440
Materials and supplies	506,802	188,321	-	695,123
Insurance	6,303	2,128	19,663	28,094
Rent	900	45,188	300	46,388
Telephone	9,685	8,592	2,263	20,540
Program expenses	10,710	64	71	10,845
Tithe	10,000	-	-	10,000
Fleet expense	5,118	17,287	442	22,847
Office expenses	7,030	6,373	2,458	15,861
Repairs & maintenance	2,323	3,371	627	6,321
Printing, promotion, and advertising	3,610	27,498	4,558	35,666
Postage	1,194	360	892	2,446
Dues and subscriptions	2,602	904	4,028	7,534
Bank charges	-	-	2,736	2,736
Credit card fees	-	17,299	597	17,896
Equipment rental	4,760	2,981	1,443	9,184
Depreciation expense	9,864	44,655	4,824	59,343
Utilities	7,902	37,864	1,068	46,834
Interest expense	11,526	36,711	17,149	65,386
Professional fees	-	-	10,367	10,367
Miscellaneous	2,331	9,295	17	11,643
Travel	3,350	4,992	2,633	10,975
Total Expenses	\$ <u>1,002,532</u>	\$ <u>746,723</u>	\$ <u>128,653</u>	\$ <u>1,877,908</u>

See accompanying independent auditor's report.

North Collin County Habitat for Humanity
FY16 Budget-Final
July 2015 through June 2016

FY16 Draft Budget

Ordinary Income/Expense	
Income	
Total 4000-\$Contributions	466,300
Total 4600-Grants	142,000
Total 4700-Other Income	62,440
Total 4800-ReStore Sales	1,188,494
Total 4900-Special Events Net Income	20,500
Total Income	<u>1,879,734</u>
Total COGS	<u>352,506</u>
Gross Profit	<u>1,527,228</u>
Expense	
Total 5100-Administrative	107,238
Total 5200-Employee Related Expenses	949,594
Total 5300-Fleet Expense	35,171
Total 5400-Marketing & Advertising	48,340
Total 5500-Meetings & Travel	31,545
Total 5600-Occupancy Expense	95,674
Total 5700-Prgm Svcs-Mission Specific	178,475
Total Expense	<u>1,446,037</u>
Net Ordinary Income	81,191
Other Income/Expense	
Other Income	
6000-Donated Materials-ReStore	540,000
6200-GIK-Material Donations	237,675
6300-Mtg Discount Amortization	85,000
6400-Sale to Homeowners	750,000
Total Other Income	<u>1,612,675</u>
Other Expense	
Total 7100-Construction Cost CIP Exp	755,050
7200-Depreciation Expense	89,700
7300-HFH International SOSI Fee	15,000
7400-HFH International Tithe	26,000
7600-Mortgage Discount Expense	210,000
7800-Other GIK Expense	29,000
7900-ReStore GIK (COGS)	540,000
Total Other Expense	<u>1,664,750</u>
Net Other Income	<u>(52,075)</u>
Net Income	<u><u>29,116</u></u>



Habitat for Humanity International

Building houses in partnership with God's people in need

January 5, 1993

Noel Glucksman, President
McKinney HFH
4405 San Mateo Lane
McKinney, TX 75070-0153

Dear Noel,

This letter will confirm that McKinney HFH has been added to the roster of exempt subordinates included in the group exemption letter of Habitat for Humanity International, Inc. ("HFHI") under section 501(c)(3) of the Internal Revenue Code, effective on January 1, 1993.

The enclosed copy of the group exemption letter received from the IRS (dated February 13, 1987) provides evidence of HFHI's group exemption. That letter, together with this letter which confirms your affiliate's exempt subordinate status, provide evidence of your tax exempt status under section 501(c)(3) of the code. Both of these letters should be retained as part of your affiliate's permanent records.

Also, we are enclosing for your information a sheet entitled "Affiliate Tax Return Reminders." Please note that a significant penalty may be imposed when a return is filed late. To assist in the consolidation of your affiliate's financial data with that of HFHI, we request that you use a calendar year accounting period (January 1-December 31).

The group exemption number assigned to HFHI by the IRS is 8545. This number may be provided to prospective donors, foundations, and other grant organizations as they request it, and is required on certain IRS forms.

In partnership,

Carol Gregory
Area Director, US

CG/ln

Enclosure

cc: Joe Gatlin

Internal Revenue Service
District Director

Department of the Treasury

EO GROUP 7201
P.O. BOX 1055
ATLANTA, GA. 30370

Date: FEB 13 1987

Habitat For Humanity, Inc.
419 West Church St
Americus, Georgia 31709

Dear Sirs:

We have considered your application for group exemption letter recognizing your subordinates as exempt from Federal income tax as organizations of the type described in section 501(c)(9) of the Internal Revenue Code.

Our records show that you were recognized as exempt from Federal income tax under section 501(c)(9) of the Code. The exemption letter remains in effect.

Based on the information supplied, we recognize your named subordinates on the list you submitted, as exempt from Federal income tax under section 501(c)(9) of the Code.

Additionally, we have classified the organizations you operate, supervise, or control, and which are covered by your notification to us, as organizations that are not private foundations because they are organizations of the type described in section 170(b)(1)(A)(vi) & 509(a)(1) of the Code.

Donors may deduct contributions to you and your subordinates as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of section 2055, 2106, and 2522 of the Code.

You and your exempt subordinates whose gross receipts are normally more than \$25,000 are each required to file Form 990, Return of Organizations Exempt from Income tax, by the 15th day of the fifth month after the end of the annual accounting period. If you prefer, you may file a group return for those subordinates that authorize you in writing to include them in that return. This would be in addition to your separate return. The law imposes a penalty of \$10 a day, up to a maximum of \$5,000, when a return is filed late, unless there is reasonable cause for the delay.

You and your exempt subordinates are not required to file Federal income tax returns unless subject to the tax on unrelated business income under section 511 of the Code. Each organization subject to this tax must file Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of you or your subordinates present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

To maintain the group exemption letter, you must submit annually, at least 90 days before the close of your annual accounting period, to the Internal Revenue Service Center indicated for your location the following:

1. A statement describing any changes during the year in the purposes, character, or method of operation of your subordinates.
2. A list showing the names, mailing addresses (including postal zip codes), actual address if different, and employer identification numbers of subordinates that during the year:
 - a. changed names or addresses;
 - b. were deleted from your roster;
 - c. were added to your roster.
3. For subordinates to be added attach:
 - a. A statement that the information on which your present group exemption letter is based applies to the new subordinates;
 - b. a statement that each has given you written authorization to add its name to the roster;
 - c. a list of those to which the Service previously issued exemption rulings or determination letters;
 - d. a statement that none of the subordinates are private foundations as defined in section 509(a) of the Code;
 - e. the street address of subordinates where the mailing address is a P. O. Box; and
 - f. for each subordinate that is a school claiming exemption under section 501(c)(3), the information required by Rev. Proc. 75-50, 1975-2 C.B. 587. Also include any other information necessary to establish that the school is complying with the requirements of Revenue Ruling 71-447, 1971-2 C.B. 220. This is the same information required by Schedule A, Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.
4. If applicable, a statement that your group exemption roster did not change during the year.

The above information should be sent, "Attention: Entity Control Unit, the following address:

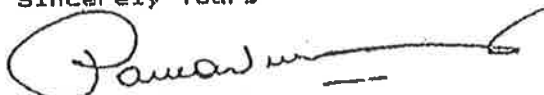
Internal Revenue Service Center
Attention: Entity Control Unit
Atlanta, GA 31101

The service center that processes your returns will send you a Group Exemption Number. You are required to include this number on each Form 990, Return of Organization Exempt From Income Tax, and Form 990-T, Exempt Organization Business Income Tax Return. Please advise your subordinates of this requirement and provide them with the Group Exemption Number.

Because this letter could help resolve any questions about your exempt status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely Yours



District Director



Seeking to put God's love into action, North Collin County Habitat for Humanity brings people together to build homes, communities and hope.

BOARD OF DIRECTORS

- Terry Busha.....President
Matt Hilton.....Pres-Elect
Jerrica Anderson.....VicePres
Larry Hoffman.....Treasurer
Nelson Carter.....Secretary
Cindy Maxwell-Balthea Asst. Secretary
Larry Platenpol.....Past Pres.
Robin Avgerenos
Steve Darling
David Hale
Jason Jupiterwala
JR Russell
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Jim German
Marta Gore
Dennis Heydaneck
Don Hixon
Rick Horton
Kim McPeak
Michael Nichols
Jim Owens
Frank Shushok
Sue Shushok
Ed Smith
Timothy Solano
Ed Stankunas
Olive Swearingen
Brian Umberger
Bud Ward
Sharon Weideman
Bill Whitfield, Past Mayor

Ex-Officio

- Corbett Howard, Past Mayor

STAFF - Dept. Heads

- Celeste Cox.....Exec. Director
Bif Haigh.....Dir. of Const.
LaVeeta Hamilton Dir. Fam. Prog
Brett Buckley.....Dir. of ReStore Op
Andrea Tabor.....Dir. of HR/Ops.
Ruthie Drye.....Dir. of Finance
Randy Huliett.....Legal Counsel

With a majority vote, the Board of Directors of North Collin County Habitat for Humanity (NCC Board) approved the following:

The NCC Board hereby authorizes the executive director, Celeste H. Cox, to submit an application to McKinney Community Development Corporation for a grant to acquire land, lot development, and provide rehabilitation of existing homes for qualifying low income families.

The NCC Board hereby authorizes the executive director, Celeste H. Cox, as the designated project official/representative of this grant from McKinney Community Development Corporation, if approved for funding.

Further, the NCC Board hereby confirms that North Collin County Habitat for Humanity is in good standing with the Texas Secretary of State and the Texas Comptroller's office, Filing Number 124125201, and tax identification number 32000567647.

Executed this 17th day of July, 2015.

Terry Busha (handwritten signature)

Terry Busha, President
NCC Board of Directors

Figure 4: NRI Target Area Location Map

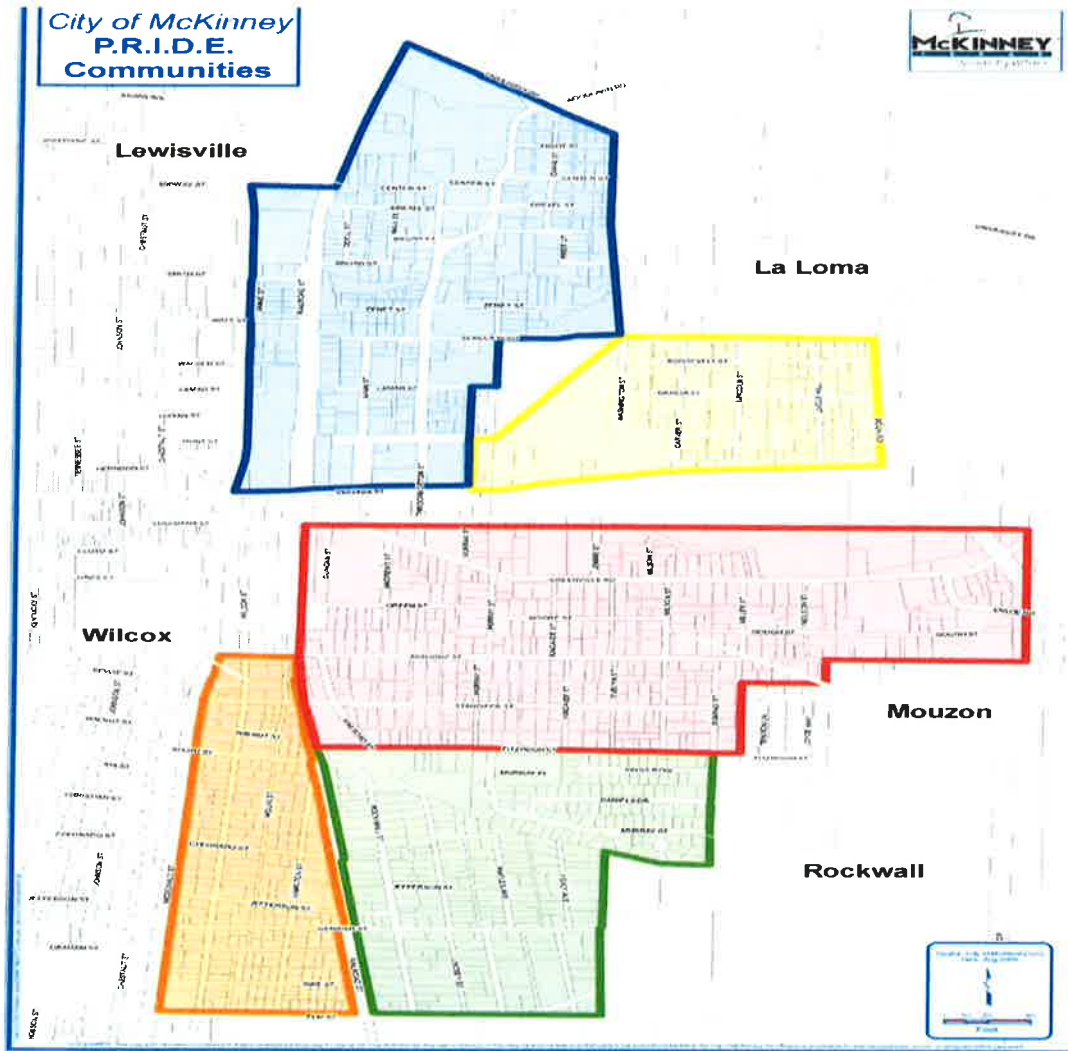
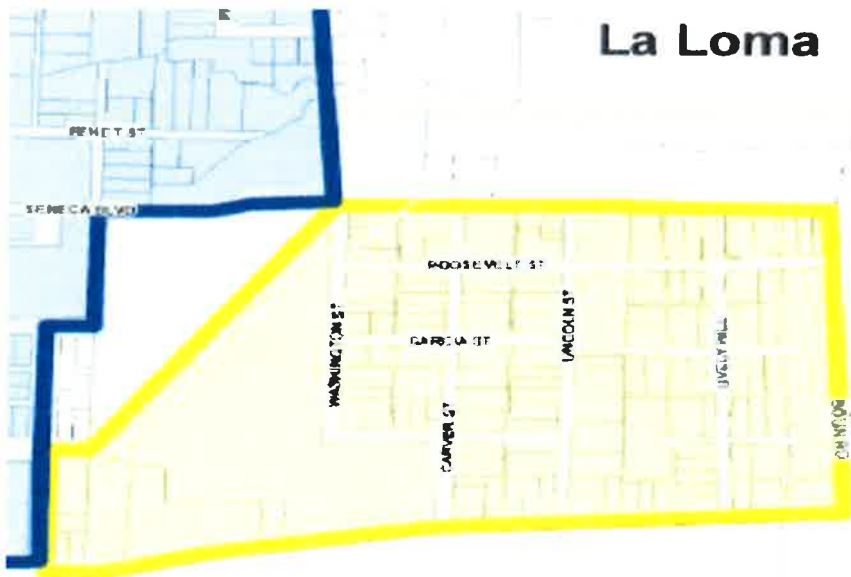


Figure 5: NRI Target Area



the ongoing development of desired outcomes and the determination of the array of programs and initiatives needed to achieve these outcomes. However, the initial evaluation plan as described herein has been drafted by NCCHFH with the understanding that outcomes may be revised and/or new outcomes added based on input from the stakeholders and on the analysis of the data collected throughout the process.

A. NRI TARGET AREA DESCRIPTION

NCCHFH has identified an initial NRI Target Area for its pilot program that is located within census tracts approved for NRI activities. This target area is comprised of five neighborhoods (P.R.I.D.E. Neighborhoods) which are comprised almost equally in area along the eastern border of the City of McKinney. NCCHFH has worked closely with the City of McKinney in the development of affordable housing in this area.

1. Indicators Used in Selection of the Target Area

The geographic boundaries of the target area were chosen because we believe that it is possible to effectively build grassroots and political support for revitalization efforts. The following indicators were used in the selection of the target area:

- NCCHFH has built affordable homes in the target area since 1992 and established an ABWK program to serve other homes in this same area.
There are several distinct and definable neighborhoods within the target area.
- The housing conditions in the target area are blighted and NCCHFH housing solutions have in the past, and will continue in the future.
- There is a need and desire within the target area to create/maintain access to homeownership for families with limited income.
- The target area is located within five Collin County Community Redevelopment Areas within the City of McKinney's (P.R.I.D.E. Neighborhoods) Revitalization Area;
- There are several organizations that work in the target area for social and economic justice and development.

Figure 4, on the following page, shows the location of the NRI Target Area in relation to its surroundings. **Figure 5**, on the following page, shows a zoomed-in view of the target area.