

# MCKINNEY COMMUNITY DEVELOPMENT CORPORATION

## Grant Application

Fiscal Year 2017

### 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](http://www.mckinneycdc.org); by calling 214.544.0296 or by emailing [cschneible@mckinneycdc.org](mailto: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](http://www.mckinneycdc.org), by calling 214.544.0296 or emailing [cschneible@mckinneycdc.org](mailto: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: November 30, 2016 | December 2016              | January 2017                      |
| Cycle II: May 31, 2017     | June 2017                  | July 2017                         |

### Project Grants:

| Application Deadline       | Presentation to MCDC Board | Board Vote and Award Notification |
|----------------------------|----------------------------|-----------------------------------|
| Cycle I: December 30, 2016 | January 2017               | February 2017                     |
| Cycle II: March 31, 2017   | April 2017                 | May 2017                          |
| Cycle III: June 30, 2017   | July 2017                  | August 2017                       |

## APPLICATION

### ORGANIZATION INFORMATION

Name: North Collin County Habitat for Humanity

Federal Tax I.D.: 75-2443511

Incorporation Date: August 26, 1992

Mailing Address: 2060 Couch Drive

City McKinney

ST: Texas

Zip: 75069

Phone: 972-542-5300

Fax: 972-542-5159

Email: marketing@ncc-habitat.com

Website: www.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: Organizations include Chambers of Commerce – McKinney, Frisco, Melissa, Prosper, Celina, Anna, Farmersville, Princeton; Volunteer Center of McKinney; Tri County Hispanic Chamber, Volunteer Center

### REPRESENTATIVE COMPLETING APPLICATION:

Name: Elizabeth Johnston

Title: Development & Marketing Manager

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: Elizabeth Johnston

Title: Development & Marketing Manager

Mailing Address: 2060 Couch Drive

City: McKinney

ST: Texas

Zip: 75069

Phone 972-542-5300

Fax: 972-542-5159

Email: marketing@ncc-habitat.com

**FUNDING**

Total amount requested: \$331,072

Matching Funds Available (Y/N and amount): Y, \$591,668

Will funding be requested from any other City of McKinney entity (e.g. Arts Commission, City of McKinney Community Support Grant)?

Yes

No

Please provide details and funding requested: NCC Habitat is requesting funds to buy materials to repair existing homes of lower income families, funds for materials for a dedicated Youth Job Training Build, and funds to buy land on which we will build affordable homes for low income families.

**PROJECT/PROMOTION/COMMUNITY EVENT**

Start Date: October 1, 2017

Completion Date: September 30, 2018

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

**Please, see attached**

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

**Please, see attached**

## I. North Collin County Habitat for Humanity - Overview

North Collin County Habitat for Humanity is part of a global, nonprofit housing organization operated on Christian principles working to build strength, stability and self-reliance for families through shelter. We put God's love into action by bringing people together to build homes and communities.

NCC Habitat has a two pronged housing initiative for low-income families. First, we construct new homes for working families in need earning 30-60% below the median income levels of our area. Second, we provide exterior home repairs for low-income homeowners earning below 60% of median household income levels. Most of these homeowners are seniors or disabled and have both a financial and housing need. All home construction and repair projects are completed by the hands of over 5,000 volunteers with materials obtained through donations, partners, sponsorships, and grants from organizations such as MCDC.



NCC Habitat has been building homes for 25 years helping low-income families since its incorporation in 1992. We build decent, affordable houses in the cities of Anna, Blueridge, Celina, Farmersville, Frisco, McKinney, Melissa, Princeton, Prosper, Westminster, and Weston. On average, a Habitat 4-person household will earn between \$20,000 and \$40,000 per year based on historical data. Habitat homes are sold based on the homeowners ability to pay. The monthly payments are priced at less than 30% of their monthly gross income. Affordable mortgages to homeowners are serviced by NCC Habitat over a 20-30 year period for a zero equivalent interest loan.

Through NCC Habitat's home repairs program, A Brush With Kindness (ABWK), low income homeowners in need of exterior home repairs which are financially unaffordable receive needed renovation services completed by volunteer labor and donated or reduced cost materials. Most of these homeowners are senior adults or disabled and have both a financial and housing need. Through this program we are working to restore health and safety to older, poorer neighborhoods, revitalizing whole communities with a sense of pride, security and dignity which can empower life change.

To date, NCC Habitat has completed 110 new homes in North Collin County and 138 home rehabs. We estimate 248 families or 992 people now live in solid, secure, permanent housing through the programs of NCC Habitat, much of this in McKinney. 96% of our families remain in their homes making timely payments and establishing long stable work patterns.



Habitat plans to build 8 New Construction Homes and repair 30 existing homes in Fiscal Year 2017-2018. We have 27 full and part-time experienced staff members to accomplish it. We have also committed help to Puerto Lempira, Honduras where we have built 46 homes and continually aid the Send Hope orphanage there through

building renovations and materials. With your help, we will provide affordable, permanent shelter to McKinney families.

## **II. Affordable Housing – Repairs & New Homes**

### **A Brush With Kindness Home Repair Program**

David and Andrea Nichols and their two daughters live with Andrea's mother in East McKinney. Health problems and a daughter with special needs have limited those working in the family to one. David works for the City of McKinney, but money has been tight, managing upkeep on the home and ensuring the home meets the needs of their daughter has proven to be out of reach. The back door was broken and had been boarded up, a wheel chair ramp was needed at the front of the home, and the exterior was in need of new windows and fresh paint. NCC Habitat was able to purchase the materials to make the needed repairs to this home through funds provided by MCDC. Then, over several days, volunteer work crews came, made the repairs on the home, and gave this family more than piece of mind, but restored dignity, safety and eased some of the daily struggle that living with a child with special needs brings.

The Nichol's story is unique but these stories aren't rare. In fact, we hear and see them in the transformed lives which our ABWK program touches each year as we serve up to 30 low income families. More often than not those homeowners in need of home repairs are often in the lowest levels of income in our area. Our ABWK homeowners earn below, often well below, 60% of the median income level and are generally elderly. In fact, 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 \$18,120 a year.

In McKinney the median household income is \$82,988 with median home values at \$192,900. Of students enrolled in MISD 21.83% live in homes NOT paying a mortgage, and 29.69% of McKinney households are renting. According to USA.com, 10.56% of all McKinney homes were built prior to 1979, 21.7% of McKinney households earn less than \$40K annually with 8.09% of the entire population living in poverty. These numbers will only increase, as the population of McKinney is projected to reach 871,654 in 2020 according to USA.com. The need for affordable housing is substantial.

Through this program we are working to restore health and safety to older, poorer neighborhoods, revitalizing whole communities with a sense of pride, security and dignity which can empower life change. This program has 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. Funds from MCDC will be used to buy the materials for 15 Home Repairs for McKinney residents who cannot afford them, strengthening the communities in which they live.

To date NCC Habitat has impacted 84% of the La Loma neighborhood, 42% of the Rockwall neighborhood, 35% of the Lewisville neighborhood and 21% of the Mouzon neighborhood through our Home Repair and New Construction programs. Our holistic approach is revitalizing the entire area of McKinney where some of the poorest residents live.

## Land Acquisition and Lot Prep for Affordable Housing Programs

Perla Delira works as a janitor in a McKinney Middle School. She has one of the firmest handshakes you'd ever encounter, gained from hard work and long hours. She has two sons, successful McKinney students, of whom she's very proud, but despite all her work, affording more than a rented trailer home on her income has proven impossible. She wants to give her sons a permanent home, a place to call their own, and something of which they can be proud. Now that she has been approved for a Habitat home, she is going to budgeting classes, volunteering on home construction sites and getting set to build her home in the coming months alongside our volunteer groups.



The Delira Family, like all Habitat families, earn 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. Having a decent, affordable home provides families with increased health, security, higher education likelihood, and they are statistically more likely to be higher wage earners. Currently, we have 8 families waiting for a Habitat home, all of them working, yet facing financial and housing needs.

Habitat 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. NCC Habitat is asking for funds to be used to purchase 5 lots in these areas, along with the funds needed to survey and prepare each lot for home construction. With the support of our financial donors, GIK partners, and the ReStore, we will obtain the materials for these homes. Volunteers will construct a home on each lot over a 12 week construction cycle. Then our families will purchase the home for an affordable amount at a zero equivalent mortgage.



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. Values for these lots have increased dramatically. Small lots in east McKinney are selling on the open market for close to \$25,000 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.

**McKinney ISD and Job Corp Work Training Program – Building a Habitat Home Provides Youth First Hand Experience**

Homes like the one we will build for Perla Delira are built with donated materials by teams of volunteers. Over the last few months, we have begun a new partnership with McKinney ISD and Job Corps training programs. Both organizations have sent their students in job training programs for construction out to our work sites to help them gain hands-on real world experience. Job Corps is hoping to send their students out weekly to build allowing them to get experience with every phase of the construction process. McKinney ISD plans to send their students out on a regular basis this coming school year as part of their training as well.



The students, the need, and the work is right here to train the next generation of construction workers in skills they will need to build a life. Currently, we are able to get MISD students and Job Corp youth out on our jobsites occasionally to teach them this trade. But what we envision is a Home Build dedicated solely to the training and mentoring of our youth. Through a dedicated Home Build these youth would receive comprehensive, job training, home building skills to take with them into the workforce.



We are asking MCDC to fund the materials for one home that would be dedicated to the training and apprenticing of McKinney ISD students and Job Corp youth. Materials to build one Habitat home cost approximately \$70,000. That allotment of funds would provide the exclusive work site for both programs to work weekly for 4 months and result in a permanent home for a waiting Habitat family.

**in total, NCC Habitat is asking for \$343,350 to purchase, survey and prep 5 lots, purchase materials for 15 home repair projects, and purchase materials for a MISD/Job Corp Internship/Job Training Home Build.**

Land Acquisition:

|                       |                                       |
|-----------------------|---------------------------------------|
| Acquisition of 5 lots | \$125,000 (5 @ \$25,000 average each) |
| Lot Prep & Surveys    | \$35,850                              |
|                       | <b>\$160,850</b>                      |

Home Repair Program (ABWK):

|                             |   |
|-----------------------------|---|
| 15 homes repairs - exterior | <b>\$112,500 (15@ \$7,500 average each)</b> |
|-----------------------------|---|

MISD/Job Corp Home Build:

|   |                 |
|---|-----------------|
| Materials for 1 Home for internship program | <b>\$57,722</b> |
|---|-----------------|

|              |                  |                                     |
|--------------|------------------|-------------------------------------|
| <b>Total</b> | <b>\$331,072</b> | <b>(35% of total project costs)</b> |
|--------------|------------------|-------------------------------------|



**Total Project Budget (40 Repairs, 5 New Homes and 1 MISD/Job Corp Home Build)**

|    |                           |           |            |
|----|---------------------------|-----------|------------|
| 5  | New Homes                 | \$ 90,000 | \$ 450,000 |
| 5  | Land Purchase/Prep/Survey | \$ 32,170 | \$ 160,850 |
|    |                           | \$        | \$         |
| 30 | Repairs                   | \$ 7,500  | \$ 225,000 |
| 1  | MISD/Job Corp             | \$ 95,000 | \$ 95,000  |
|    |                           |           | \$ 930,850 |

**Project Grants – please complete the section below:**

- 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?**

NCC Habitat has completed surveys of the target neighborhoods and conducted many interviews with residents. We have an ongoing need assessment plan and are working to complete the needs identified by both residents and NCC Habitat staff for these areas.

**Provide specific information to illustrate how this Project/Promotion/Event aligns with one or more of the goals and strategies adopted by McKinney City Council and McKinney Community Development:**

NCC Habitat believes that everyone deserves a decent place to live. Our entire organizational philosophy is built upon the idea that improving the quality of life for all individuals, through shelter, will provide increased opportunity, financial resources, security, stability and economic and academic opportunities. Having a permanent, safe, home improves the health of each family member. Adults have a stable financial foundation from which to build wealth. Children are transformed by the stability of knowing they have a place they belong and something to count on.

Statically, children whose parents own their home are more likely to graduate from college, less likely to be involved in a teenage pregnancy, more likely to be working and not idle at the age of 20, less likely to be on welfare, and are higher earners as adults. Similarly, adults who own their own home are less likely to have substance abuse problems, more likely to attend church and join PTO, and have more economic opportunity.

A stable home provides a significant improvement to the quality of life for individuals in our communities. Meanwhile, safer and stronger communities ultimately improve our corporate City as a whole. Stronger communities, safer streets, pride in one’s community all work to make our City a place of a higher quality of life for all.

Another unique attribute NCC Habitat offers McKinney is the opportunity for residents and visitors to participate in improving the community around them. Working for the betterment of others allows individuals to be a part of the solution to improving their communities, reducing crime, and increasing property values. Bringing hope and help to others, with a little bit of hard work, makes everyone feel good.

Through our long list of volunteer opportunities, residents and visitors can regularly engage in the work being done through NCC Habitat to improve the quality of life for our Citizens. In the meantime, most of our volunteers testify to being changed themselves in a positive way.

**Indicate which goal(s) listed above will be supported by the proposed Project/Promotion/Event:**

Support community projects that attract resident and visitor participation and contribute to quality of life for McKinney residents. Also, meets citizen needs for quality of life improvements for residents in the City of McKinney.

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

Yes  No

**Date(s): July 2016**

### 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 108 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 2016-2017, as well as financial statements for the past two years, has been attached.

**What is the estimated total cost for this Project/Promotion/Community Event?**

**\$\$930,850**

**What percentage of Project/Promotion/Community Event funding will be provided by the Applicant? 35%**

**Are Matching Funds available?**  Yes  No

|                         |  |                |
|-------------------------|--|----------------|
| Cash \$506,000          | Source See Attached Matching Sources Doc | % of Total 54% |
| In-Kind \$\$85,668      | Source See Attached Matching Sources Doc | % of Total 9%  |
| Remaining Funds \$8,110 |  | % of Total <1% |

**Are other sources of funding available? If so, please list source and amount.**

Committed Churches, Businesses, Foundations, Individuals, etc. including Texas Department of Housing and Community Affairs assist in the construction of the homes. Also, Texas Bank provides 0% interest on interim construction loans. Complete listing of fund sources attached.

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

|                                  |                   |
|----------------------------------|-------------------|
| Yes, City of McKinney CDBG       | \$45,000 Pending  |
| LegacyTexas Bank                 | \$8,000 Approved  |
| Junior League of Collin Counties | \$5,000 Pending   |
| TDHCA Bootstrap                  | \$150,000 Pledged |
| TSAHC                            | \$24,000 Approved |

### 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** – NCC Habitat has secured advertising space on a billboard located on Highway 5 encouraging families to apply for our housing programs. We appear 6 out of 12 months annually.
- **Website** – NCC Habitat has a professionally designed, informative website which received over 5,000 unique visitors per month.
- **Door Hangers** – NCC Habitat has a door hanger marketing piece with details of the ABWK program in both English and Spanish. The piece is distributed on doors of homes in the areas we are actively working where our services might be needed.
- **Public Event** – NCC Habitat appears at many public events each year including our Christmas King of the Nations Nativity Concert. We are also a large part of North Texas Giving Day in September where we set up a booth on the McKinney Square. Literature and program information is distributed on all affordable housing programs at each event. We actively promote through local Chamber of Commerce meetings including McKinney, Frisco, Princeton, Celina and Prosper.
- **Newspaper Articles & Inserts** – NCC Habitat has received frequent articles highlighting our housing programs for families and the impact our affiliate has had on the service area, much of which has been completed in McKinney.
- **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.

## 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.

With respect to the proposed MISD / Job Corp Home Build project, we will have a finished home as an evaluative metric for showing completion. We will also be able to show the number of student and youth Volunteers and Volunteer Hours worked on the project. MISD students and Job Corp youth will be fully trained in Home Building skills having completely constructed a home from the ground up. These job training skills will allow them improved job opportunities, increased personal, marketable skills, and industry knowledge.

## Acknowledgements

### ***If funding is approved by the MCDC board of directors, Applicant will assure:***

- The Project/Promotional/Community Event for which financial assistance is sought will be administered by or under the supervision of the applying organization.
- All funds awarded will be used exclusively for the purpose described in this application.
- MCDC will be recognized in all marketing, advertising, outreach and public relations as a funder of the Project/Promotional/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/Promotional/ Community Event for which funds were received.
- A final report detailing the success of the Project/Promotional/Community Event, as measured against identified metrics, will be provided to MCDC no later than 30 days following the completion of the Project/Promotional/Community Event.
- Up to 80% of the approved grant may be provided, on a reimbursement basis, prior to conclusion of the Project/Promotional/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/Promotional/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 120<sup>th</sup> 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**

*Celeste A. Cox*

Signature

Celeste Haiduk Cox  
Printed Name

June 29, 2017  
Date

**Representative Completing Application**

*Elizabeth Johnston*

Signature

Elizabeth Johnston  
Printed Name

June 29, 2017  
Date

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

## Attachment 1 – Listing of Board of Directors & Staff



### Board of Directors - Fiscal Year 2017 - 2018

| <u>Board Member</u>      | <u>Position</u>          | <u>Background</u>       |
|--------------------------|--------------------------|-------------------------|
| Mr. Terry Busha          | President                | Finance                 |
| Mr. Matt Hilton          | President-elect          | Real Estate Owner/Agent |
| Mr. Nelson Carter        | Secretary                | Director Mkt/Training   |
| Mr. Jason Jupiterwala    | Treasurer                | Retired                 |
| Ms. Cindy Maxwell-Bathea | Asst Secretary           | Retired                 |
| Mr. Larry Pietenpol      | Immediate Past President | Consultant              |
| Mr. Tim Baker            |                          |                         |
| Mr. Rache Barnett        |                          |                         |
| Mr. Doc Compton          |                          |                         |
| Mr. Jack Kocks           |                          |                         |
| Mr. Hunter Lord          |                          |                         |
| Mr. Larry Pietenpole     |                          |                         |
| Mr. JR Russell           |                          |                         |
| Mr. Martin Smith         |                          |                         |
| Mr. Jac Schuster         |                          |                         |
| Ms. Olive Swearingen     |                          |                         |
| Mr. Bud Ward             |                          |                         |
| Mr. Russ Waite           |                          |                         |
| Mr. Terrence Wegner      |                          |                         |

### Organizational Leadership Team

#### **Chief Executive Officer – Celeste Haiduk Cox**

Celeste Haiduk Cox was hired thirteen years ago as the first paid staff for NCC-Habitat. The organization was 100% volunteer upon her arrival and was building one to two homes per year. Since that time, her staff has grown to 10 full time and 12 part-time, a new ReStore operation was opened five years ago, and 379 lives have been touched building 100 homes locally and 36 homes have been built globally. Habitat has also completed 87 repair projects. Celeste serves as the primary contact for Donors and fundraising for the organization as well as being active in the community through Rotary, Chambers of Commerce, Boy Scouts, Girls Scouts, Church and service to Habitat Texas as their immediate past Board President.

#### **Chief Operating Officer – Robert Manley, III**

Robert Manley joined NCC-Habitat in 2015. Robert is responsible for Construction, Family Services, Volunteer Services, ReStore operations, and affiliate facilities. He assists the Executive Leadership with strategic planning and organizational

effectiveness. Robert has developed execution and strategic planning expertise through his prior experience in organizational management, project management, community development, and ministry. He has a BAAS from Howard Payne University and a Master of Arts from Southern Baptist Theological Seminary in Cultural Leadership. Robert has a passion to see families, neighborhoods and communities transformed. He enjoys triathlon sprint racing, mountain biking, and kayaking with the family.

### **Chief Financial Officer – Ruthie Drye**

Ruthie joined NCC-Habitat in October of 2012. Ruthie has over 20 years in the nonprofit sector finds working with staff, board and partner families to be very rewarding. "Doing the right thing just feels good," Ruthie said. Ruthie earned her accounting degree from University of Phoenix and is currently working on her CPA. Ruthie and her husband of 30 plus years have raised their three children in Frisco, Texas and is a grandmother of three beautiful grandchildren.

### **Construction Project Manager – Bryant Knepp**

Bryant Knepp joined NCC-Habitat in 2016. Bryant provides oversight of the Construction Department where he leads the new construction and repair programs. Bryant has served in a number of roles with Habitat affiliates since 2003. He considers himself a student of Habitat and most highly values the Christian foundation and approach of Habitat's work. He was raised in southwestern Indiana where his construction training took place within a family owned, Amish-Mennonite construction company. Bryant enjoys participating in Christian mission, both locally and abroad. He and his wife, Lyndsay, have three daughters.

### **ReStore Manager – Rick Greene**

Rick joined the NCC-Habitat team in October of 2015. Rick has extensive experience in retail management and executive retail leadership for 30 years. His retail background includes Office Depot, Best Buy, Wal-Mart, and Target, receiving many sales and management awards. He has earned a B.B.A. in Accounting from University of Oklahoma. Rick has been very involved in community and civic organizations such as Y.M.C.A, Goodwill Industries, and March of Dimes. As a trained chef, Rick enjoys cooking and traveling.

### **Family and Volunteer Manager – Dawn Serr**

Dawn has been on staff at NCC Habitat since 2010, when she joined as the Volunteer Coordinator. Dawn has served in this role organizing and managing all of our weekly, daily, and occasional volunteers which number in the thousands! Dawn also serves as a Family Mentor working with our Habitat families helping them through the Habitat homeownership program, and on into the first year of being a homeowner. Dawn is passionate about both our families and our volunteers. She is a very integral part of this entire organization working with so many of the people this people organization serves. Dawn is also a wife, mother of 4 grown children, and grandmother to 4 grandchildren.

### **Development & Marketing Manager – Elizabeth Johnston**

Elizabeth joined NCC Habitat in 2014 as the Marketing Coordinator for promoting both NCC Habitat and the ReStore. She took on the additional responsibilities of Grant Writer in 2015 and writes over 30 grants annually on behalf of NCC Habitat. Elizabeth transitioned to the role of Development Manager in 2017 to strengthen our Donor management and procurement efforts for the organization while continuing to oversee the marketing strategies for the affiliate and ReStore. Elizabeth is also a wife and mother of two wonderful children.

## Attachment 2 - Organizational Budget for Current Fiscal Year

North Collin County Habitat for Humanity  
 FY17 Budget  
 July 2016 through June 2017

|                                | Budget        |
|--------------------------------|---------------|
|                                | Jul'16-Jun'17 |
| <b>Ordinary Income/Expense</b> |               |
| <b>Income</b>                  |               |
| \$Contributions                | 429,900       |
| Grants                         | 343,500       |
| Special Events Net Income      | 68,000        |
| ReStore Sales                  | 1,300,412     |
| Other Income                   | 38,340        |
| <b>Total Income</b>            | 2,180,152     |
| <b>Cost of Goods Sold</b>      |               |
| Cost of Goods Sold (ReStore)   | 283,408       |
| <b>Total COGS</b>              | 283,408       |
| <b>Gross Profit</b>            | 1,896,744     |
| <b>Expense</b>                 |               |
| Administrative                 | 122,774       |
| Fleet Expense                  | 48,284        |
| Program Svcs-Mission Specific  | 170,849       |
| Marketing & Advertising        | 56,790        |
| Employee Related Expenses      | 1,047,695     |
| Occupancy Expense              | 77,624        |
| Meetings & Travel              | 29,180        |
| <b>Total Expense</b>           | 1,553,196     |
| <b>Net Ordinary Income</b>     | 343,548       |
| <b>Other Income/Expense</b>    |               |
| <b>Other Income</b>            |               |
| Sale to Homeowners             | 695,000       |
| Mortgage Discount Amortization | 85,000        |
| Donated Materials-ReStore      | 760,000       |
| GIK-Material Donations         | 128,600       |
| <b>Total Other Income</b>      | 1,668,600     |
| <b>Other Expense</b>           |               |
| Construction Cost (CIP)        | 874,963       |
| Mortgage Discount Expense      | 210,000       |
| ReStore GIK (COGS)             | 760,000       |
| Other GIK Expense              | 11,000        |
| Depreciation Expense           | 89,700        |
| HFH International SOSI Fee     | 15,000        |

|                         |                      |
|-------------------------|----------------------|
| HFH International Tithe | <u>28,000</u>        |
| Total Other Expense     | <u>1,988,663</u>     |
| Net Other Income        | <u>(320,063)</u>     |
| Net<br>Income           | <u><u>23,485</u></u> |



| Attachment 3 - Matching Funds Sources    |                     |               |  |                   |     |  |
|--|---------------------|---------------|--|-------------------|-----|--|
| GIK - New Construction per House         | Funds               | Status        | Totals of Match  |                   |     |  |
| Sparky Cox                               | \$ 1,000            | Approved      | TOTAL GIK  | \$ 85,668         | 9%  |  |
| Whirlpool                                | \$ 1,400            | Approved      | TOTAL CASH   | \$ 506,000        | 54% |  |
| Simpson Strong Tie                       | \$ 1,800            | Approved      | <b>Total Match Funds</b>   | <b>\$ 591,668</b> | 63% |  |
| Restore                                  | \$ 1,400            | Approved      | <b>MCDC Proposed</b>   | <b>\$ 331,072</b> | 35% |  |
| Jubilee                                  | \$ 360              | Approved      | <b>Total Project Funds</b>   | \$ 922,740        | 99% |  |
| Encore                                   | \$ 500              | Approved      |  |                   |     |  |
| Schneider Electric/Square D              | \$ 1,100            | Approved      | <b>Total Cost of Projects</b>  | <b>\$ 930,850</b> |     |  |
| Cree                                     | \$ 252              | Approved      |  |                   |     |  |
| Vanco                                    | \$ 44               | Approved      | <b>Funds to be Raised</b>  | <b>\$ 8,110</b>   | <1% |  |
| RCS                                      | \$ 250              | Approved      |  |                   |     |  |
| Yale                                     | \$ 300              | Approved      | <i>* Outstanding needs will be raised through additional corporate partners or foundations</i> |                   |     |  |
| Dow                                      | \$ 287              | Approved      |  |                   |     |  |
| Dow                                      | \$ 600              | Approved      |  |                   |     |  |
| Energy Testing                           | \$ 500              | Approved      |  |                   |     |  |
| Valspar                                  | \$ 1,950            | Approved      |  |                   |     |  |
| Cantu                                    | \$ 200              | Approved      |  |                   |     |  |
| Hunter Douglas                           | \$ 335              | Approved      |  |                   |     |  |
| Total GIK per House                      | \$ 12,278           |               |  |                   |     |  |
| <b>Total GIK For 6 Houses</b>            | <b>\$ 73,666.92</b> |               |  |                   |     |  |
|  |                     |               |  |                   |     |  |
| <b>GIK - ABWK</b>                        | <b>Funds</b>        | <b>Status</b> |  |                   |     |  |
| Valspar (\$400*30)                       | \$ 12,000           | Pledged       |  |                   |     |  |
| TOTAL                                    | \$ 12,000           |               |  |                   |     |  |
|  |                     |               |  |                   |     |  |
| <b>TOTAL GIK MATCH</b>                   | <b>\$ 85,668</b>    |               |  |                   |     |  |
|  |                     |               |  |                   |     |  |
| <b>Cash Donations - New Construction</b> | <b>Funds</b>        | <b>Status</b> |  |                   |     |  |
| Anonymous                                | \$ 40,000           | Received      |  |                   |     |  |
| Bud Ward                                 | \$ 4,000            | Received      |  |                   |     |  |
| CBDB                                     | \$ 24,000           | Received      |  |                   |     |  |
| 7-Eleven                                 | \$ 3,000            | Pledged       |  |                   |     |  |
| Suncreek UMC                             | \$ 1,000            | Received      |  |                   |     |  |
| Covenant Church                          | \$ 2,000            | Pledged       |  |                   |     |  |
| Crossland Construction                   | \$ 10,000           | Pending       |  |                   |     |  |
| Creekwood                                | \$ 5,000            | Pledged       |  |                   |     |  |
| Emerson                                  | \$ 1,000            | Pledged       |  |                   |     |  |
| FUMC Allen                               | \$ 5,000            | Pledged       |  |                   |     |  |
| FUMC McKinney                            | \$ 6,000            | Pledged       |  |                   |     |  |
| FUMC Melissa                             | \$ 2,000            | Pledged       |  |                   |     |  |
| Giving Day Funds                         | \$ 40,000           | Pending       |  |                   |     |  |
| Goldman Sachs                            | \$ 20,000           | Pending       |  |                   |     |  |
| Grand Homes                              | \$ 10,000           | Pending       |  |                   |     |  |

|                                |                   |               |  |  |  |
|--------------------------------|-------------------|---------------|--|--|--|
| Green Brick Partners           | \$ 25,000         | Pledged       |  |  |  |
| HighPointe Church of Christ    | \$ 5,000          | Pledged       |  |  |  |
| John & Mary Minnis             | \$ 40,000         | Pledged       |  |  |  |
| LegacyTexas Bank               | \$ 8,000          | Received      |  |  |  |
| Lowe's NWBW                    | \$ 5,000          | Pending       |  |  |  |
| nThrive                        | \$ 10,000         | Pledged       |  |  |  |
| Simpson Strong Tie             | \$ 15,000         | Received      |  |  |  |
| St. Jude Catholic Church       | \$ 5,000          | Pledged       |  |  |  |
| St. Gabriel the Arch Angel     | \$ 10,000         | Received      |  |  |  |
| Torchmark                      | \$ 10,000         | Pledged       |  |  |  |
| TDHCA                          | \$ 150,000        | Pledged       |  |  |  |
| Trinity Presbyterian Church    | \$ 5,000          | Pledged       |  |  |  |
| Wells Fargo Housing Foundation | \$ 15,000         | Received      |  |  |  |
| <b>TOTAL</b>                   | <b>\$ 476,000</b> |               |  |  |  |
| <b>Cash Donations - ABWK</b>   | <b>Funds</b>      | <b>Status</b> |  |  |  |
| Junior League of Collin County | \$ 5,000          | Pending       |  |  |  |
| Thrivent Financial             | \$ 12,500         | Pending       |  |  |  |
| TSAHC                          | \$ 12,500         | Pending       |  |  |  |
| <b>TOTAL</b>                   | <b>\$ 30,000</b>  |               |  |  |  |
| <b>TOTAL CASH MATCH</b>        | <b>\$ 506,000</b> |               |  |  |  |

## Attachment 4 - IRS Determination Letter



OGDEN UT 84201-0029

In reply refer to: 4077550277  
Mar. 09, 2015 LTR 4167C 0  
91-1914868 000000 00  
00040704  
BODC: TE



052913

HABITAT FOR HUMANITY INTERNATIONAL  
INC  
HABITAT FOR HUMANITY INTRNL PARENT  
% EDWARD K QUIBELL - CFO/SR VP  
121 HABITAT ST  
AMERICUS GA 31709-3423

Employer Identification Number: 91-1914868  
Group Exemption Number: 8545  
Person to Contact: Ms Benjamin  
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Jan. 20, 2015, request for information about your tax-exempt status.

Our records indicate that you were issued a determination letter in January 1987, and that you are currently exempt under section 501(c)(3) of the Internal Revenue Code.

Based on the information supplied, we recognized the subordinates named on the list you submitted as exempt from Federal income tax under section 501(c)(3) of the Code.

Donors may deduct contributions to you 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 sections 2055, 2106 and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,

Tamara Ripperda  
Director, Exempt Organizations



*Help build it!*

September 29, 2015

North Collin County HFH  
PO Box 153  
McKinney, TX 75070-0153

**RE: 501(c)(3) Letter for North Collin County HFH, Partner ID# 1328-5090**

Dear Affiliate Leader:

This letter will confirm that North Collin County HFH (McKinney HFH, Inc. DBA- North Collin County HFH), with employer identification number 75-2443511, is considered a subordinate under the group tax exemption umbrella of Habitat for Humanity International, Inc. ("HFHI") under Section 501(c)(3) of the Internal Revenue Code.

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.

Enclosed is a copy of the determination letter dated March 9, 2015, provided by the IRS as evidence of HFHI's tax exempt status as well as its group exemption. The determination letter, together with this letter, confirms North Collin County HFH's subordinate status and provides evidence of its tax exempt status under Section 501(c)(3) of the Code.

In partnership,

**Beverly Huffman**  
Director, US/Canadian Support Services Center  
Habitat for Humanity International 877-434-4435  
[USSupportCenter@habitat.org](mailto:USSupportCenter@habitat.org) · [habitat.org](http://habitat.org) | **Habitat. We build.**

Enclosure

INTERNATIONAL HEADQUARTERS: 121 Habitat St., Americus, GA 31709-3498 USA [www.habitat.org](http://www.habitat.org) (229) 924-6935 toll free (800) 422-4828



OGDEN UT 84201-0029

In reply refer to: 4077550277  
Mar. 09, 2015 LTR 4167C 0  
91-1914868 000000 00  
00040704  
BODC: TE

HABITAT FOR HUMANITY INTERNATIONAL  
INC  
HABITAT FOR HUMANITY INTRNL PARENT  
% EDWARD K QUIBELL - CFO/SR VP  
121 HABITAT ST  
AMERICUS GA 31709-3423



052913

Employer Identification Number: 91-1914868  
Group Exemption Number: 8545  
Person to Contact: Ms Benjamin  
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Jan. 20, 2015, request for information about your tax-exempt status.

Our records indicate that you were issued a determination letter in January 1987, and that you are currently exempt under section 501(c)(3) of the Internal Revenue Code.

Based on the information supplied, we recognized the subordinates named on the list you submitted as exempt from Federal income tax under section 501(c)(3) of the Code.

Donors may deduct contributions to you 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 sections 2055, 2106 and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,

Tamera Ripperda  
Director, Exempt Organizations



ReStore

**Attachment 5 - Audited Financial Statements**

**NORTH COLLIN COUNTY  
HABITAT FOR HUMANITY**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015**

**WITH INDEPENDENT AUDITORS' REPORT**

**NORTH COLLIN COUNTY HABITAT FOR HUMANITY**

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## 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), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, statements of cash flows, and schedules of functional expenses for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1

401 WEST HIGHWAY 6 ■ P. O. BOX 20725 ■ WACO, TX 76702-0725 ■ (254) 772-4901 ■ FAX: (254) 772-4920 ■ [www.pbhcpa.com](http://www.pbhcpa.com)  
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RIO GRANDE VALLEY, TX (956) 544-7778 ■ TEMPLE, TX (254) 791-3460 ■ ALBUQUERQUE, NM (505) 266-5904



***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, 2016 and 2015, 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.

***Report on Summarized Comparative Information***

We have previously audited North Collin County Habitat for Humanity's June 30, 2015 financial statements, and our report dated September 17, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented on the Statement of Activities for the year ended June 30, 2015, is consistent, in all material respects, with the audited Statement of Activities from which it has been derived.

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

Waco, Texas  
September 14, 2016

# FINANCIAL STATEMENTS

**NORTH COLLIN COUNTY HABITAT FOR HUMANITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>CURRENT ASSETS</b>  |                     |                     |
| Cash and cash equivalents  | \$ 103,921          | \$ 125,363          |
| Temporarily restricted cash  | 134,884             | 191,869             |
| Contributions receivable   | 247,454             | 268,319             |
| Inventory  | 268,523             | 186,734             |
| Inventories - land held for development  | 333,201             | 175,426             |
| Non-interest bearing mortgages receivable, current portion (net of discount)   | 170,791             | 158,166             |
| TDHCA Boot Strap agency receivables, current portion                           | 61,438              | 61,438              |
| Other receivables  | <u>30,615</u>       | <u>22,815</u>       |
| <b>Total Current Assets</b>  | <u>1,350,827</u>    | <u>1,190,130</u>    |
| <b>LONG-TERM ASSETS</b>  |                     |                     |
| Property, furniture and equipment (net)  | 1,470,752           | 1,521,359           |
| Contributions receivable   | 84,000              | 25,000              |
| Non-interest bearing mortgages receivable, long-term portion (net of discount) | 2,037,266           | 1,954,415           |
| TDHCA Boot Strap agency receivables, long-term portion                         | 862,569             | 923,897             |
| HBA agency receivable  | 15,250              | 16,250              |
| Discount on non-interest bearing mortgage                                      | ( 1,113,567)        | ( 1,066,779)        |
| Construction in progress   | <u>226,438</u>      | <u>163,083</u>      |
| <b>Total Long-term Assets</b>  | <u>3,582,708</u>    | <u>3,537,225</u>    |
| <b>Total Assets</b>  | <u>\$ 4,933,535</u> | <u>\$ 4,727,355</u> |
| <b>LIABILITIES AND NET ASSETS</b>  |                     |                     |
| <b>LIABILITIES</b>   |                     |                     |
| Accounts payable and accrued expenses  | \$ 53,982           | \$ 85,856           |
| Escrow-mortgage holders  | 75,012              | 69,717              |
| Due to ReStore   | 74,661              | 48,086              |
| Due to TDHCA Boot Strap, current portion                                       | 61,438              | 61,438              |
| Notes payable, current portion (net of discount)                               | <u>88,674</u>       | <u>132,968</u>      |
| <b>Total Current Liabilities</b>   | <u>353,767</u>      | <u>398,065</u>      |
| <b>LONG-TERM LIABILITIES</b>   |                     |                     |
| Due to TDHCA Bootstrap, long-term portion                                      | 863,590             | 924,465             |
| Due to HBA   | 10,667              | 12,667              |
| Notes payable, long-term portion (net of discount)                             | <u>1,229,638</u>    | <u>1,293,299</u>    |
| <b>Total Long-term Liabilities</b>   | <u>2,103,895</u>    | <u>2,230,431</u>    |
| <b>Total Liabilities</b>   | <u>2,457,662</u>    | <u>2,628,496</u>    |
| <b>NET ASSETS</b>  |                     |                     |
| Unrestricted   | 1,639,620           | 1,432,181           |
| Temporarily restricted   | <u>836,253</u>      | <u>666,678</u>      |
| <b>Total Net Assets</b>  | <u>2,475,873</u>    | <u>2,098,859</u>    |
| <b>Total Liabilities and Net Assets</b>  | <u>\$ 4,933,535</u> | <u>\$ 4,727,355</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, 2016 AND 2015**

|   | <u>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |
| Increase (decrease) in net assets   | \$ 377,014        | \$ 79,913         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation expense  | 88,877            | 83,805            |
| Discount amortization-mortgages   | 46,788            | 48,734            |
| Transfer to homeowners  | ( 387,325)        | ( 429,854)        |
| Loss on the disposal of assets  | -                 | 519               |
| Effect of changes in assets and liabilities:  |                   |                   |
| (Increase) decrease in inventories - (lots)   | ( 157,775)        | 28,147            |
| (Increase) decrease in inventories - (resale)   | ( 81,789)         | 6,797             |
| (Increase) decrease in contributions receivable   | ( 38,135)         | 68,565            |
| (Increase) decrease in agency receivable  | ( 547)            | ( 998)            |
| (Increase) decrease in other receivables  | ( 7,800)          | ( 22,500)         |
| (Increase) decrease in homes under construction   | ( 63,355)         | 111,740           |
| Increase (decrease) in accounts payable and accrued expenses                                | ( 4)              | 3,536             |
| Net Cash Used by Operating Activities   | <u>( 224,051)</u> | <u>( 21,596)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                   |
| Net purchases of land, building and equipment   | ( 38,270)         | ( 49,279)         |
| Net loan proceeds   | ( 107,955)        | ( 77,188)         |
| Mortgage payments received  | 291,849           | 328,190           |
| Net Cash Provided by Investing Activities   | <u>145,624</u>    | <u>201,723</u>    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                 | <u>( 78,427)</u>  | <u>180,127</u>    |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | <u>317,232</u>    | <u>137,105</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <u>\$ 238,805</u> | <u>\$ 317,232</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                                    |                   |                   |
| Issuance of non-interest bearing mortgage loans   | \$ 387,325        | \$ 429,854        |
| Discount on non-interest bearing mortgages loans  | ( 147,009)        | ( 124,659)        |
| Transfers to homeowners subject to non-interest bearing mortgage loans                      | <u>\$ 240,316</u> | <u>\$ 305,195</u> |
| Cash paid for interest  | <u>\$ 36,560</u>  | <u>\$ 61,304</u>  |

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

**NORTH COLLIN COUNTY HABITAT FOR HUMANITY**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2016**

|                                       | Program Services    |                     | Support Services                 | Total               |
|---------------------------------------|---------------------|---------------------|----------------------------------|---------------------|
|                                       | Home<br>Ownership   | ReStore             | Management<br>and Administrative | 2016                |
| Bad debt expense                      | \$ 2,036            | \$ -                | \$ -                             | \$ 2,036            |
| Bank charges                          | 450                 | 150                 | 400                              | 1,000               |
| Contract labor                        | 9,397               | 11,355              | 2,181                            | 22,933              |
| Credit card fees                      | -                   | -                   | 1,053                            | 1,053               |
| Depreciation expense                  | 13,510              | 68,103              | 7,264                            | 88,877              |
| Dues and subscriptions                | 3,364               | 827                 | 2,295                            | 6,486               |
| Equipment rental                      | 5,563               | 3,133               | 1,701                            | 10,397              |
| Fleet Expense                         | 8,977               | 22,405              | 658                              | 32,040              |
| Insurance                             | 11,919              | 22,959              | 1,617                            | 36,495              |
| Interest expense                      | 14,343              | 20,178              | 2,039                            | 36,560              |
| Materials and supplies                | 564,752             | 929,019             | 21,431                           | 1,515,202           |
| Miscellaneous                         | 510                 | 1,257               | 2,396                            | 4,163               |
| Mortgage discount                     | 147,009             | -                   | -                                | 147,009             |
| Office expenses                       | 1,378               | 6,440               | 6,159                            | 13,977              |
| Postage                               | 6,131               | 334                 | 1,926                            | 8,391               |
| Printing, promotions, and advertising | 24,810              | 27,058              | 7,419                            | 59,287              |
| Professional fees                     | 3,406               | 1,135               | 3,028                            | 7,569               |
| Program expenses                      | 112,282             | 290                 | -                                | 112,572             |
| Repairs & Maintenance                 | 1,799               | 11,984              | 1,472                            | 15,255              |
| Salaries and benefits                 | 421,246             | 377,582             | 94,551                           | 893,379             |
| Telephone                             | 9,069               | 9,241               | 1,390                            | 19,700              |
| Tithe/ SOSI fee                       | 41,000              | -                   | -                                | 41,000              |
| Travel                                | 2,854               | 1,476               | 3,849                            | 8,179               |
| Utilities                             | 11,960              | 39,447              | 1,799                            | 53,206              |
| <b>Total Expenses</b>                 | <b>\$ 1,417,765</b> | <b>\$ 1,554,373</b> | <b>\$ 164,628</b>                | <b>\$ 3,136,766</b> |

**See accompanying independent auditor's report.**

**NORTH COLLIN COUNTY HABITAT FOR HUMANITY**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2015**

|                                      | Program Services    |                     | Support Services                 | Total               |
|--------------------------------------|---------------------|---------------------|----------------------------------|---------------------|
|                                      | Home<br>Ownership   | ReStore             | Management<br>and Administrative | 2015                |
| Bank charges                         | \$ 538              | \$ 176              | \$ 470                           | \$ 1,184            |
| Contract labor                       | 121                 | 32,439              | 108                              | 32,668              |
| Credit card fees                     | -                   | -                   | 1,636                            | 1,636               |
| Depreciation expense                 | 12,333              | 63,607              | 7,865                            | 83,805              |
| Dues and subscriptions               | 1,801               | 825                 | 2,571                            | 5,197               |
| Equipment rental                     | 2,819               | 3,111               | 3,464                            | 9,394               |
| Fleet expense                        | 5,710               | 20,464              | 927                              | 27,101              |
| Insurance                            | 10,955              | 21,238              | 1,942                            | 34,135              |
| Interest expense                     | 22,428              | 35,414              | 3,462                            | 61,304              |
| Materials and supplies               | 485,008             | 833,832             | 1,237                            | 1,320,077           |
| Miscellaneous                        | 349                 | 426                 | 1,898                            | 2,673               |
| Mortgage discount                    | 124,659             | -                   | -                                | 124,659             |
| Office expenses                      | 3,651               | 5,167               | 5,413                            | 14,231              |
| Postage                              | 1,997               | 441                 | 1,552                            | 3,990               |
| Printing, promotion, and advertising | 1,926               | 22,527              | 11,741                           | 36,194              |
| Professional fees                    | 3,375               | 1,125               | 3,000                            | 7,500               |
| Program expenses                     | 200,874             | 22                  | -                                | 200,896             |
| Repairs & maintenance                | 2,153               | 6,628               | 988                              | 9,769               |
| Salaries and benefits                | 390,312             | 342,196             | 78,424                           | 810,932             |
| Telephone                            | 7,971               | 9,334               | 1,762                            | 19,067              |
| Tithe/ SOSI fee                      | 30,000              | -                   | -                                | 30,000              |
| Travel                               | 24,762              | 4,271               | 1,440                            | 30,473              |
| Utilities                            | 11,775              | 34,250              | 2,544                            | 48,569              |
| <b>Total Expenses</b>                | <b>\$ 1,345,517</b> | <b>\$ 1,437,493</b> | <b>\$ 132,444</b>                | <b>\$ 2,915,454</b> |

**See accompanying independent auditor's report.**

## NORTH COLLIN COUNTY HABITAT FOR HUMANITY

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

#### 1. ORGANIZATION

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).

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The financial statements of North Collin County Habitat for Humanity have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities, 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. The Organization has no permanently restricted net assets as of June 30, 2016 and 2015.

**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.

**Restricted Cash**

The Board of Directors has restricted \$134,884 and \$191,869 of cash for purposes of renovations for the years ended June 30, 2016 and 2015, respectively.

**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 8.34% 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.

## Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Organization's significant estimates include the useful lives of property and equipment, the market value of donated inventory, and the amortization of discounts on mortgage loans based on the estimated life of the notes as a method that approximates the effective interest rates.

## Income Taxes

Habitat has been granted exemptions from federal income taxes under Section 501(c)(3) of the Internal Revenue code. As such, no provision for income taxes is reflected in the financial statements.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, Habitat may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Habitat and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2016 and 2015.

Habitat files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Texas. Habitat is no longer subject to examination by the Internal Revenue Service for years before 2013.

## Support and Cost

Grants, 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of net activities 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 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.

ReStore revenue is recognized when the donated goods are sold. ReStore expenses are recognized when incurred.

### **Allocation of Functional Expenses**

Costs have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Donated Services**

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is susceptible to objective measurement or valuation.

### **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 cost or 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.

### **Transfer or Sale to Homeowners**

Transfers to homeowners are recorded at the gross mortgage. The mortgages do not bear interest, but have been discounted based upon applicable rates of interest published by Habitat for Humanity International, Inc. Using the interest method of amortization, these discounts will be recognized as mortgage loan amortization over the term of the mortgages.

### **Home Construction Costs**

Costs incurred in conjunction with home construction are capitalized. Construction costs are expensed during the year a home is sold and included in program services.

### **Prior Year Summarized Information**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

### 3. 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.

|  | June 30, 2015       | Additions          | Deletions         | June 30, 2016       |
|--|---------------------|--------------------|-------------------|---------------------|
| Land   | \$ 253,847          | \$ -               | \$ -              | \$ 253,847          |
| Buildings and improvements                     | 1,274,411           | 6,281              | (2,887)           | 1,277,805           |
| Furniture and fixtures                         | 101,753             | -                  | -                 | 101,753             |
| Vehicles and trailers                          | 89,813              | 34,876             | -                 | 124,689             |
| Machinery and equipment                        | <u>149,491</u>      | <u>-</u>           | <u>-</u>          | <u>149,491</u>      |
|  | 1,869,315           | 41,157             | (2,887)           | 1,907,585           |
| Less accumulated depreciation                  | <u>(347,956)</u>    | <u>(88,877)</u>    | <u>-</u>          | <u>(436,833)</u>    |
| Total property and equipment, net depreciation | <u>\$ 1,521,359</u> | <u>\$ (47,720)</u> | <u>\$ (2,887)</u> | <u>\$ 1,470,752</u> |

Depreciation expense for the years ended June 30, 2016 and 2015 was \$88,877 and \$83,805, respectively.

### 4. 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, 2016 |                   | June 30, 2015 |                   |
|---|---------------|-------------------|---------------|-------------------|
|   | Homes         | Cost              | Homes         | Cost              |
| Homes under construction at beginning of year | 5             | \$ 163,083        | 6             | \$ 274,823        |
| Additional cost incurred during the year      | -             | 318,713           | -             | 188,184           |
| New homes started during the year             | 7             | 226,438           | 5             | 165,404           |
| Homes transferred during the year             | <u>( 5)</u>   | <u>( 481,796)</u> | <u>( 7)</u>   | <u>( 465,328)</u> |
| Homes under construction at year-end          | <u>7</u>      | <u>\$ 226,438</u> | <u>5</u>      | <u>\$ 163,083</u> |

## 5. INVENTORIES

Land held for development 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 \$333,201 and \$175,426 as of June 30, 2016 and 2015, 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 on the date of donation, with the fair market value being recorded as the asset, and the remainder is immediately recognized as contribution expense. The balance of inventory totaled \$268,523 and \$186,734 as of June 30, 2016 and 2015, respectively.

## 6. SALES TO HOMEOWNERS

During the years ended June 30, 2016 and 2015, five 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, 2015 and 2016 were 7.48% and 7.51%, respectively. The discounts totaled \$147,009 for 2016 and \$124,659 for 2015.

## 7. 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, 2016 and 2015 are as follows:

|                                       | <u>2016</u>         | <u>2015</u>         |
|---------------------------------------|---------------------|---------------------|
| Mortgages receivable (at face value)  | \$ 2,208,057        | \$ 2,112,581        |
| Unamortized discount on mortgages     | <u>(1,113,567)</u>  | <u>(1,066,779)</u>  |
| Mortgages receivable, net of discount | <u>\$ 1,094,490</u> | <u>\$ 1,045,802</u> |

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

|            |                     |
|------------|---------------------|
| 2017       | \$ 170,791          |
| 2018       | 170,791             |
| 2019       | 170,791             |
| 2020       | 170,791             |
| 2021       | 170,791             |
| Thereafter | <u>240,535</u>      |
| Total      | <u>\$ 1,094,490</u> |

Mortgages are considered delinquent when the monthly mortgage payment is at least 31 days past due. As of June 30, 2016, nineteen mortgages totaling \$8,144 were past due. As of June 30, 2015, nineteen mortgages totaling \$10,466 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, 2016, the balance in the agency receivables is \$924,007 and agency payables account is \$925,028. The balances of the agency receivable and payable as of June 30, 2015, the balance in the agency receivables is \$985,335 and agency payables account is \$985,903. 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, 2016, the balances of the agency receivable and payable were \$15,250 and \$10,667, respectively. As of June 30, 2015, the balances of the agency receivable and payable were \$16,250 and \$12,667, respectively.

## 8. LONG-TERM DEBT

Long-term debt, net of discounts, consists of the following notes as of June 30, 2016 and 2015:

|  | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| Notes payable to Texas Department of Housing and Community Affairs (TDHCA) in the original amounts of \$1,685,456 and \$1,426,456 as of June 30, 2016 and 2015, respectively, bearing interest ranging from 0% to 4%, discount calculated based on a hypothetical imputed interest rate ranging between 7.39% and 8.34%, the rate provided annually by Habitat for Humanity International, resulting in a discount of \$499,821 and \$456,161, as of June 30, 2016 and 2015, respectively. The Organization remits monthly payments of \$7,056 and the loans mature July 2021 through August 2046. | \$ 282,341          | \$ 879,773          |
| Note payable to a bank, interest rate of 5.25%; due May 25, 2026. Secured by land and building.  | 1,031,971           | 537,769             |
| Note payable to a vehicle financing company; interest rate of 1.90% due June 14, 2017. Secured by the associated vehicle.  | <u>4,000</u>        | <u>8,725</u>        |
| Total outstanding balance  | 1,318,312           | 1,426,267           |
| Less current installments  | <u>(88,674)</u>     | <u>(132,968)</u>    |
| Total long-term debt   | <u>\$ 1,229,638</u> | <u>\$ 1,293,299</u> |

The maturities of long-term debt by fiscal year are as follows:

|            |                     |
|------------|---------------------|
| 2017       | \$ 88,674           |
| 2018       | 87,632              |
| 2019       | 90,708              |
| 2020       | 156,923             |
| 2021       | 154,131             |
| Thereafter | <u>740,244</u>      |
| Total      | <u>\$ 1,318,312</u> |

## 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, 2016 was \$172,009 and \$58,136 in 2015.

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>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|
| Temporarily restricted Contributions Temporarily Restricted | \$ <u>836,253</u> | \$ <u>666,678</u> |

**11. 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.

**12. 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 had uninsured cash balances of \$67,126 as of June 30, 2016. The Organization had uninsured cash balances of \$99,980 as of June 30, 2015.

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.

**13. ADVERTISING**

Habitat uses advertising to promote its program. Advertising expenses are expensed as incurred. For the years ended June 30, 2016 and 2015, advertising expenses of \$59,287 and \$36,194 were incurred, respectively.



**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 years ended June 30, 2016 and 2015, Habitat contributed \$26,000 and \$20,000 to Habitat International, respectively. In addition to these unrestricted contributions to Habitat International, Habitat also paid a support fee in the amount of \$15,000 for the year ended June 30, 2016 and \$10,000 for the year ended June 30, 2015.

**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 September 14, 2016, the issuance date of the report. No subsequent events requiring disclosure were noted.

**NORTH COLLIN COUNTY  
HABITAT FOR HUMANITY**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2015 AND 2014**

**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), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, statements of cash flows, and schedules of functional expenses for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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ReStore

***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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited North Collin County Habitat for Humanity's June 30, 2014 financial statements, and our report dated October 10, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented on the Statement of Activities for the year ended June 30, 2015, is consistent, in all material respects, with the audited Statement of Activities from which it has been derived.

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

Waco, Texas  
September 17, 2015

# FINANCIAL STATEMENTS

**NORTH COLLIN COUNTY HABITAT FOR HUMANITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>CURRENT ASSETS</b>  |                     |                     |
| Cash and cash equivalents  | \$ 125,363          | \$ 96,961           |
| Temporarily restricted cash  | 191,869             | 40,144              |
| Contributions receivable   | 268,319             | 301,384             |
| Inventory  | 186,734             | 193,531             |
| Inventories - land held for development  | 175,426             | 203,573             |
| Non-interest bearing mortgages receivable, current portion (net of discount)   | 158,166             | 145,266             |
| TDHCA Boot Strap agency receivables, current portion                           | 61,438              | 50,188              |
| Other receivables  | <u>22,815</u>       | <u>315</u>          |
| <b>Total Current Assets</b>  | <u>1,190,130</u>    | <u>1,031,362</u>    |
| <b>LONG-TERM ASSETS</b>  |                     |                     |
| Property, furniture and equipment (net)  | 1,521,359           | 1,556,404           |
| Contributions receivable   | 25,000              | 60,500              |
| Non-interest bearing mortgages receivable, long-term portion (net of discount) | 1,954,415           | 1,865,651           |
| TDHCA Boot Strap agency receivables, long-term portion                         | 923,897             | 766,899             |
| HBA agency receivable  | 16,250              | 17,250              |
| Discount on non-interest bearing mortgage                                      | ( 1,066,779)        | ( 1,018,045)        |
| Construction in progress   | <u>163,083</u>      | <u>274,823</u>      |
| <b>Total Long-term Assets</b>  | <u>3,537,225</u>    | <u>3,523,482</u>    |
| <b>Total Assets</b>  | <u>\$ 4,727,355</u> | <u>\$ 4,554,844</u> |
| <b>LIABILITIES AND NET ASSETS</b>  |                     |                     |
| <b>LIABILITIES</b>   |                     |                     |
| Accounts payable and accrued expenses  | \$ 85,856           | \$ 95,509           |
| Escrow-mortgage holders  | 69,717              | 67,834              |
| Due to ReStore   | 48,086              | 36,780              |
| Due to TDHCA Boot Strap, current portion                                       | 61,438              | 50,188              |
| Notes payable, current portion (net of discount)                               | <u>132,968</u>      | <u>96,924</u>       |
| <b>Total Current Liabilities</b>   | <u>398,065</u>      | <u>347,235</u>      |
| <b>LONG-TERM LIABILITIES</b>   |                     |                     |
| Due to TDHCA Bootstrap, long-term portion                                      | 924,465             | 767,465             |
| Due to HBA   | 12,667              | 14,667              |
| Notes payable, long-term portion (net of discount)                             | <u>1,293,299</u>    | <u>1,358,114</u>    |
| <b>Total Long-term Liabilities</b>   | <u>2,230,431</u>    | <u>2,140,246</u>    |
| <b>Total Liabilities</b>   | <u>2,628,496</u>    | <u>2,487,481</u>    |
| <b>NET ASSETS</b>  |                     |                     |
| Unrestricted   | 1,432,181           | 1,571,452           |
| Temporarily restricted   | <u>666,678</u>      | <u>495,911</u>      |
| <b>Total Net Assets</b>  | <u>2,098,859</u>    | <u>2,067,363</u>    |
| <b>Total Liabilities and Net Assets</b>  | <u>\$ 4,727,355</u> | <u>\$ 4,554,844</u> |

**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, 2015**  
(With Summarized Financial Information for the Year Ended June 30, 2014)

|                                       | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | 2015<br>Total       | 2014<br>Total       |
|---------------------------------------|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| <b>REVENUE AND OTHER SUPPORT</b>      |                     |                           |                           |                     |                     |
| Grants                                | \$ -                | \$ 261,495                | \$ -                      | \$ 261,495          | \$ 398,177          |
| Contributions                         | 158,497             | 341,121                   | -                         | 499,618             | 457,716             |
| Contributions - non cash              | 58,136              | -                         | -                         | 58,136              | 202,175             |
| Donated materials                     | 491,550             | -                         | -                         | 491,550             | 409,827             |
| Discount amortization                 | 75,925              | -                         | -                         | 75,925              | 77,804              |
| Transfers to homeowners               | 429,854             | -                         | -                         | 429,854             | 293,024             |
| ReStore sales                         | 1,110,226           | -                         | -                         | 1,110,226           | 1,104,557           |
| Special events, net of expenses       | 18,993              | -                         | -                         | 18,993              | 13,429              |
| Miscellaneous                         | 49,603              | -                         | -                         | 49,603              | 20,470              |
| Interest income                       | 486                 | -                         | -                         | 486                 | 208                 |
| Net assets released from restrictions | <u>431,849</u>      | <u>( 431,849)</u>         | <u>-</u>                  | <u>-</u>            | <u>-</u>            |
| Total Revenue and Other Support       | <u>2,825,119</u>    | <u>170,767</u>            | <u>-</u>                  | <u>2,995,886</u>    | <u>2,977,387</u>    |
| <b>EXPENSES</b>                       |                     |                           |                           |                     |                     |
| Home ownership program                | 1,345,517           | -                         | -                         | 1,345,517           | 1,033,698           |
| ReStore program                       | 1,437,493           | -                         | -                         | 1,437,493           | 1,424,682           |
| Management and administrative         | <u>132,444</u>      | <u>-</u>                  | <u>-</u>                  | <u>132,444</u>      | <u>131,427</u>      |
| Total Expenses                        | <u>2,915,454</u>    | <u>-</u>                  | <u>-</u>                  | <u>2,915,454</u>    | <u>2,589,807</u>    |
| <b>OTHER INCOME/(EXPENSES)</b>        |                     |                           |                           |                     |                     |
| Gain (Loss) on disposition of assets  | <u>( 519)</u>       | <u>-</u>                  | <u>-</u>                  | <u>( 519)</u>       | <u>20,765</u>       |
| <b>CHANGE IN NET ASSETS</b>           | <u>( 90,854)</u>    | <u>170,767</u>            | <u>-</u>                  | <u>79,913</u>       | <u>408,345</u>      |
| <b>NET ASSETS, BEGINNING OF YEAR</b>  | <u>1,523,035</u>    | <u>495,911</u>            | <u>-</u>                  | <u>2,018,946</u>    | <u>1,610,601</u>    |
| <b>NET ASSETS, END OF YEAR</b>        | <u>\$ 1,432,181</u> | <u>\$ 666,678</u>         | <u>\$ -</u>               | <u>\$ 2,098,859</u> | <u>\$ 2,018,946</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, 2015 AND 2014**

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |
| Increase (decrease) in net assets  | \$ 31,496         | \$ 456,762        |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                   |                   |
| Depreciation expense   | 83,805            | 87,007            |
| Discount amortization-mortgages  | 48,734            | ( 45,731)         |
| Transfer to homeowners   | ( 429,854)        | ( 293,024)        |
| Loss on the disposal of assets   | 519               | 21,925            |
| Effect of changes in assets and liabilities:   |                   |                   |
| (Increase) decrease in inventories - (lots)  | 28,147            | ( 45,046)         |
| (Increase) decrease in inventories - (resale)  | 6,797             | 10,736            |
| (Increase) decrease in contributions receivable  | 68,565            | ( 294,384)        |
| (Increase) decrease in agency receivable   | ( 998)            | ( 2,568)          |
| (Increase) decrease in other receivables   | ( 22,500)         | -                 |
| (Increase) decrease in homes under construction  | 111,740           | ( 170,750)        |
| Increase (decrease) in accounts payable and accrued expenses                                   | 3,536             | 3,347             |
| Net Cash Used by Operating Activities  | <u>( 70,013)</u>  | <u>( 271,726)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |
| Net purchases of land, building and equipment  | ( 49,279)         | ( 171,222)        |
| Net loan proceeds  | ( 28,771)         | 80,232            |
| Mortgage payments received   | 328,190           | 387,117           |
| Net Cash Provided by Investing Activities  | <u>250,140</u>    | <u>296,127</u>    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                    | 180,127           | 24,401            |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <u>137,105</u>    | <u>112,704</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <u>\$ 317,232</u> | <u>\$ 137,105</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>                                       |                   |                   |
| Issuance of non-interest bearing mortgage loans  | \$ 429,854        | \$ 293,024        |
| Discount on non-interest bearing mortgages loans   | ( 124,659)        | ( 32,070)         |
| Transfers to homeowners subject to non-interest bearing mortgage loans                         | \$ 305,195        | \$ 260,954        |
| Cash paid for interest   | \$ 61,304         | \$ 57,110         |

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

**NORTH COLLIN COUNTY HABITAT FOR HUMANITY**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2015**

|                                       | Program Services    |                     | Support Services       | Total               |
|---------------------------------------|---------------------|---------------------|------------------------|---------------------|
|                                       | Construction        | ReStore             | Management and General | 2015                |
| Bank charges                          | \$ 538              | \$ 176              | \$ 470                 | \$ 1,184            |
| Contract labor                        | 121                 | 32,439              | 108                    | 32,668              |
| Credit card fees                      | -                   | -                   | 1,636                  | 1,636               |
| Depreciation expense                  | 12,333              | 63,607              | 7,865                  | 83,805              |
| Dues and subscriptions                | 1,801               | 825                 | 2,571                  | 5,197               |
| Equipment rental                      | 2,819               | 3,111               | 3,464                  | 9,394               |
| Fleet Expense                         | 5,710               | 20,464              | 927                    | 27,101              |
| Insurance                             | 10,955              | 21,238              | 1,942                  | 34,135              |
| Interest expense                      | 22,428              | 35,414              | 3,462                  | 61,304              |
| Materials and supplies                | 485,008             | 833,832             | 1,237                  | 1,320,077           |
| Miscellaneous                         | 349                 | 426                 | 1,898                  | 2,673               |
| Mortgage discount                     | 124,659             | -                   | -                      | 124,659             |
| Office expenses                       | 3,651               | 5,167               | 5,413                  | 14,231              |
| Postage                               | 1,997               | 441                 | 1,552                  | 3,990               |
| Printing, promotions, and advertising | 1,926               | 22,527              | 11,741                 | 36,194              |
| Professional fees                     | 3,375               | 1,125               | 3,000                  | 7,500               |
| Program expenses                      | 200,874             | 22                  | -                      | 200,896             |
| Repairs & Maintenance                 | 2,153               | 6,628               | 988                    | 9,769               |
| Salaries and benefits                 | 390,312             | 342,196             | 78,424                 | 810,932             |
| Telephone                             | 7,971               | 9,334               | 1,762                  | 19,067              |
| Tithe                                 | 30,000              | -                   | -                      | 30,000              |
| Travel                                | 24,762              | 4,271               | 1,440                  | 30,473              |
| Utilities                             | 11,775              | 34,250              | 2,544                  | 48,569              |
| <b>Total Expenses</b>                 | <b>\$ 1,345,517</b> | <b>\$ 1,437,493</b> | <b>\$ 132,444</b>      | <b>\$ 2,915,454</b> |

See accompanying independent auditor's report.

**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                    | 80,487              | -                   | -                      | 80,487              |
| 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              |
| <b>Total Expenses</b>                | <b>\$ 1,033,698</b> | <b>\$ 1,424,682</b> | <b>\$ 131,427</b>      | <b>\$ 2,589,807</b> |

**See accompanying independent auditor's report.**

# NORTH COLLIN COUNTY HABITAT FOR HUMANITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

### 1. ORGANIZATION AND 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).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of North Collin County Habitat for Humanity have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities, 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.

**Restricted Cash**

The Board of Directors has restricted \$191,869 and \$40,144 of cash for purposes of renovations for the years ended June 30, 2015 and 2014, respectively.

**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 8.34% 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.

### Income Taxes

Habitat has been granted exemptions from federal income taxes under Section 501(c)(3) of the Internal Revenue code. As such, no provision for income taxes is reflected in the financial statements.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, Habitat may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Habitat and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2015 and 2014.

Habitat files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Texas. Habitat is no longer subject to examination by the Internal Revenue Service for years before 2012.

### Support and Cost

Grants, 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of net activities 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 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.

ReStore revenue is recognized when the donated goods are sold. ReStore expenses are recognized when incurred.

### **Expense Allocation**

Costs have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Donated Services**

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is susceptible to objective measurement or valuation.

### **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 cost or 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.

### **Transfer or Sale to Homeowners**

Transfers to homeowners are recorded at the gross mortgage. The mortgages do not bear interest, but have been discounted based upon applicable rates of interest published by Habitat for Humanity International, Inc. Using the interest method of amortization, these discounts will be recognized as mortgage loan amortization over the term of the mortgages.

### **Home Construction Costs**

Costs incurred in conjunction with home construction are capitalized. Construction costs are expensed during the year a home is sold and included in program services.

### **Prior Year Summarized Information**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2014, from which the summarized information was derived.



### 3. 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.

|   | June 30, 2014       | Additions        | Deletions          | June 30, 2015       |
|---|---------------------|------------------|--------------------|---------------------|
| Land  | \$ 256,597          | \$ -             | \$( 2,750)         | \$ 253,847          |
| Buildings and improvements                        | 1,244,280           | 88,959           | ( 58,828)          | 1,274,411           |
| Furniture and fixtures                            | 98,616              | 3,137            | -                  | 101,753             |
| Vehicles and trailers                             | 85,818              | 3,995            | -                  | 89,813              |
| Machinery and equipment                           | <u>139,130</u>      | <u>11,022</u>    | <u>( 661)</u>      | <u>149,491</u>      |
|   | 1,824,441           | 107,113          | ( 62,239)          | 1,869,315           |
| Less accumulated depreciation                     | <u>( 268,037)</u>   | <u>( 83,805)</u> | <u>3,886</u>       | <u>( 347,956)</u>   |
| Total property and equipment, net of depreciation | <u>\$ 1,556,404</u> | <u>\$ 23,308</u> | <u>\$( 58,353)</u> | <u>\$ 1,521,359</u> |

Depreciation expense for the years ended June 30, 2015 and 2014 was \$83,805 and \$87,007, respectively.

### 4. 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, 2015 |                   | June 30, 2014 |                   |
|---|---------------|-------------------|---------------|-------------------|
|   | Homes         | Cost              | Homes         | Cost              |
| Homes under construction at beginning of year | 6             | \$ 274,823        | 3             | \$ 104,073        |
| Additional cost incurred during the year      | -             | 188,184           | -             | 118,867           |
| New homes started during the year             | 5             | 165,404           | 8             | 418,823           |
| Homes transferred during the year             | <u>( 7)</u>   | <u>( 465,328)</u> | <u>( 5)</u>   | <u>( 366,940)</u> |
| Homes under construction at year-end          | <u>5</u>      | <u>\$ 163,083</u> | <u>6</u>      | <u>\$ 274,823</u> |

**5. INVENTORIES**

Land held for development 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 \$175,426 and \$203,573 as of June 30, 2015 and 2014, 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 \$186,734 and \$193,531 as of June 30, 2015 and 2014, respectively.

**6. SALES TO HOMEOWNERS**

During the years ended June 30, 2015 and 2014, seven and five 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, 2015 and 2014 were 7.51% and 7.58%, respectively. The discounts totaled \$124,659 for 2015 and \$31,669 for 2014.

**7. 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, 2015 and 2014 are as follows:

|                                      | <u>2015</u>         | <u>2014</u>         |
|--------------------------------------|---------------------|---------------------|
| Mortgages receivable (at face value) | \$ 2,112,581        | \$ 2,010,917        |
| Unamortized discount on mortgages    | <u>(1,066,779)</u>  | <u>( 1,018,045)</u> |
|                                      | <u>\$ 1,045,802</u> | <u>\$ 992,872</u>   |

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

|            |                     |
|------------|---------------------|
| 2016       | \$ 158,166          |
| 2017       | 158,166             |
| 2018       | 158,166             |
| 2019       | 158,166             |
| 2020       | 158,166             |
| Thereafter | <u>1,321,751</u>    |
| Total      | <u>\$ 2,112,581</u> |

Mortgages are considered delinquent when the monthly mortgage payment is at least 31 days past due. As of June 30, 2015, nineteen mortgages totaling \$10,466 were past due. As of June 30, 2014, sixteen mortgages totaling \$10,729 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, 2015, the balance in the agency receivables is \$985,335 and agency payables account is \$985,903. The balances of the agency receivable and payable as of June 30, 2014 were \$817,087 and \$817,653, 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, 2015, the balances of the agency receivable and payable were \$16,250 and \$12,667, respectively. As of June 30, 2014, the balance of the agency receivable and agency payable were \$17,250 and \$14,667, respectively.

## 8. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2015 are as follows:

|                   |                   |
|-------------------|-------------------|
| Less than 1 year  | \$ 268,319        |
| 1 year to 5 years | <u>25,000</u>     |
|                   | \$ <u>293,319</u> |

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> |

## 9. LONG-TERM DEBT

Long-term debt, net of discounts, consists of the following notes as of June 30, 2015 and 2014:

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Notes payable to Texas Department of Housing and Community Affairs (TDHCA) in the original amount of \$1,426,456 and \$870,018 as of June 30, 2015 and 2014, respectively; bearing interest ranging from 0% to 4%, discount calculated based on hypothetical imputed interest rate ranging between 7.39% and 8.34%, the rate is provided annually by Habitat for Humanity International, resulting in a discount of \$456,161 and \$226,267 as of June 30, 2015 and 2014, respectively. The corporation remits monthly payments of \$6,428 and the loans mature July 2021 through June 2033. | \$ 879,773          | \$ 557,713          |
| 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   | 537,769             | 858,963             |
| Note payable to a vehicle financing company; interest rate of 1.90%, due June 14, 2017. Secured by the associated vehicle.   | <u>8,725</u>        | <u>13,362</u>       |
|  | 1,426,267           | 1,455,038           |
| Less current installments  | <u>( 132,968)</u>   | <u>( 96,924)</u>    |
| Long-term debt, excluding current installments   | <u>\$ 1,293,299</u> | <u>\$ 1,358,114</u> |

The maturities of long-term debt by fiscal year are as follows:

|            |                     |
|------------|---------------------|
| 2016       | \$ 132,968          |
| 2017       | 137,518             |
| 2018       | 139,049             |
| 2019       | 144,842             |
| 2020       | 150,910             |
| Thereafter | <u>720,980</u>      |
| Total      | <u>\$ 1,426,267</u> |

## 10. 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, 2015 was \$58,136 and \$202,175 in 2014.

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.

**11. RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following:

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
| Temporarily restricted Contributions Temporarily Restricted | \$ <u>666,678</u> | \$ <u>495,911</u> |

**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 had uninsured cash balances of \$99,980 as of June 30, 2015. The Organization had no uninsured cash balances as of June 30, 2014.

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. ADVERTISING**

Habitat uses advertising to promote its program. Advertising expenses are expensed as incurred. For the years ended June 30, 2015 and 2014, advertising expenses of \$36,194 and \$38,936 were incurred, respectively.

**15. 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 years ended June 30, 2015 and 2014, Habitat contributed \$20,000, each year, to Habitat International. In addition to these unrestricted contributions to Habitat International, Habitat also paid a support fee in the amount of \$10,000 for the year ended June 30, 2015 and \$5,000 for the year ended June 30, 2014.

**16. RECLASSIFICATIONS**

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

**17. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 17, 2015, the issuance date of the report. No subsequent events requiring disclosure were noted.