

# MCKINNEY COMMUNITY DEVELOPMENT CORPORATION

## Grant Application

Fiscal Year 2016

### 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:**

- 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: \$4,000

Matching Funds Available (Y/N and amount): Y, \$3,900

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: We are requesting \$4,000 to be used for advertising expenses for our event. NCC Habitat will place flier inserts into a publication targeting Frisco, Princeton, Melissa and Anna. We will also utilize a bill board focussed on those areas.

**PROJECT/PROMOTION/COMMUNITY EVENT**

Start Date: October 28, 2017

Completion Date: October 28, 2017

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

**Please, see attached**

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



**ReStore**

**Please, see attached**

## I. North Collin County Habitat for Humanity ReStore

Founded in 2009, the North Collin County Habitat for Humanity (NCC Habitat) ReStore is a free-standing structure of 36,000 square feet building housing home improvement and construction materials, furniture, appliances and home accessories to:



- Provide the community with a resource for low-cost new and used construction and home improvement materials.
- Encourage the recycling of these materials in the community to reduce waste in the county landfill.
- Generate funds for NCC Habitat to use in constructing 8 simple, decent homes for eligible families.
- Provide materials to other non-profits at a reduced rate to better serve clients.
- Provide workforce training and local jobs to support the economy.

ReStores are a proven means of generating funds for Habitat affiliates, with more than 800 existing in the US since 1992 and more than 300 in Canada. These businesses are benefits to the communities in which they exist and also serve to offset the cost of new Habitat houses through the ability to buy new items in bulk both for the homes and to sell in the stores. NCC Habitat currently realizes a savings of 6% per home through this program. In addition, the money generated through ReStore sales would amount to the completion cost of 41 homes since inception in 2010.

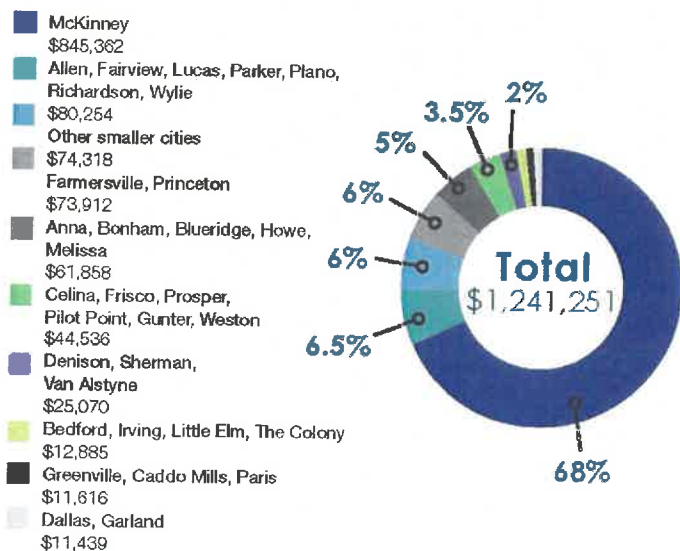
The McKinney ReStore is open Tuesday through Saturday from 9 a.m. to 6 p.m. with a staff of 5 full-time and 6 part-time employees. The store also has several committed volunteers, an active community restitution program and a workforce training program. Regular volunteers include an 84-year-old couple working to repair donated lighting and ceiling fans, and a daily volunteer who mows our lots and recycles all the metal, aluminum, copper and other salvageable metals.

Donated items from throughout Collin County are collected by free pick up five days a week. Donated latex paint is remixed and resold. The ReStore recycles 2,000 pounds of metals per month and diverted just under 2 million pounds of bulk waste from the landfill last year.

The ReStore offers a Rewards program which in addition to offering customer incentives, allows us to track customer zip codes. In addition, customers are randomly surveyed to zip codes on high volume sales days to determine locations of origin. NCC Habitat is planning to open an additional location to better meet our customer needs and extend our service reach.

More than 6,000 are registered for the Rewards Club, with 68% of our customers residing in McKinney zip codes. Cities reflected by large numbers of shoppers include Allen, Anna, Melissa, and Princeton. The store is also attracting visitors to McKinney, including customers from Oklahoma and counties including Dallas, Grayson, Denton, Hunt and more.

We also have an active E-News subscriber base which is comprised of over 5,000 emails. These weekly emails contain in-store specials, new merchandise as well as up-





coming event information. We average over 20% of email opens each week which would translate into over 4,000 readers a month.

There are, however, thousands of potential customers who are still unaware of the ReStore. Habitat staff continues to report they encounter individuals on an almost-daily basis who are making their first visit to the store, or do not realize it exists. In an effort to attract these shoppers, the ReStore holds free events to entice visitors to our store, and to McKinney.

Word of mouth has always been how most of our customers hear about us. The ReStore plans quarterly events to give our customers opportunities to invite friends and neighbors to the store. Our largest events are in the spring and fall, with smaller reach events planned in the summer and winter. Within the past year, we held a Fourth of July Event (July), Customer Appreciation Day (December), Spring Bling event (May), and our signature event, the Monster Mash Birthday Bash (October). **While we've seen growth in all of these events, those events where outside advertising was used were much more successful than those relying on in store promotions and word of mouth alone.**

This year's annual birthday party, the "Monster Mash Birthday Bash" will be held at our store on Saturday, October 28, 2017 and will mark our 25<sup>th</sup> Anniversary for NCC Habitat. Additionally, ReStores nationwide will be celebrating 25 years of operations. In honor of our 25 years mark, we will be making this year's event even more significant with additional activities and advertising aimed at promoting our affiliate accomplishments and ReStore successes. A variety of activities attracting potential customers and visitors are being planned. This is our biggest event of the year and one we feel has the most opportunity to attract new shoppers to our McKinney store from surrounding areas. Advertising for this event positions the ReStore for growth and an expanding customer base through targeted marketing plans.

## II. Event Information: Monster Mash Birthday Bash -- October 28, 2017

- 10:00 am – 12:00 pm Balloon artist, Face Painting, Home Depot Kids Workshop, Humane Society Pet Adoption
- 10:00 am to 2:00 pm Seasonal games for children with prizes, Music, and Crafts plus a Haunted House and KLAK radio or WAY FM broadcasting LIVE!
- 11:30 am – 1:00 pm Free food! Lunch Provided by Texas Bank
- 1:00 pm Costume contest for all ages sponsored by JLCC
- Target Audience: Residents of Collin County and surrounding areas
- Location: The ReStore, 2060 Couch Drive, McKinney , TX 75078



This event is free. We hope to attract over 900 to the event. This is a **20% increase over last year which saw a record attendance of over 750.**

In 2015, we recorded 598 customers attended this event. In 2016 we recorded 774. Growth has been consistent and due to the advertising we do for this event, the most of any all year!! It is always the busiest day of the year with record number of shoppers. These events have in the past drawn customers to McKinney from all over Collin County. A breakdown of our event last year drew 51% of our purchases from customers outside McKinney. We are targeting a 20% increase in 2016 over last year, which would be 900 customers. To get to this number we are looking to again utilize the successful advertising methods utilized last year while extending our targeted markets. We are also making adjustments to our timing pushing the event further into the month of October, and giving our advertising a longer lead

time to generate interest. There is also an additional opportunity for better instore advertising.

Our events always pull a significant number of volunteers who come from all over North Texas to assist us in the event.

Customers are additionally drawn to the store event through Facebook and email advertising including the spook-tacular sales and special discounts we are offering on that day only. We have an email marketing list of over 9800 that actively relate to the ReStore through email channels, and a Facebook following of over 1300. These areas of our marketing plan will also be utilized to build the event.

### **Vision & Goals**

Through this and other events, we work to increase the visibility of the ReStore, concentrating on outlying areas, as well as increasing the number of saleable donated items to our merchandise that would otherwise end up in landfills. We also hope to attract Habitat volunteers, showcase our store, educate the public about Habitat for Humanity, and demonstrate to the public how funds generated from store sales provide homes to those in need improving the lives of North Collin County residents and their children.



Over the last several years, this event has grown tremendously. We hope to continue on that success to further the reach of the ReStore, and increase the potential resources they offer our Habitat housing programs for lower income families. Similarly, there are many in our service area that do not realize the recycling efforts our operation provides. Communicating the existence of our ReStore to new potential customers and the opportunity they have to donate gently used items to Habitat is another goal of the event.

### **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:**

The main goal of the Habitat ReStore Monster Mash Birthday Bash is to attract McKinney residents and visitors to attend, visit our store, and make a purchase. Our hope is that these visitors will see and value both the extrinsic and intrinsic offerings of our store providing needed household items at an affordable cost while generating funds for affordable housing programs in their communities. The purchases made at the ReStore not only increase the sales tax revenue for the City of McKinney, but also increasing the funds with which NCC Habitat can continue our mission to eliminate poverty housing in north Colling County.

Events like this increase sales tax revenues for the City of McKinney drawing shoppers from all over to the only place that offers new and gently used home improvement materials and building supplies, the ReStore. Once people find out about our store, they shop often and come from all around. Below is a breakdown of Event Sales for events over the last 3 years compared with the average Saturday totals, providing increased sales tax revenues for McKinney. As noted earlier, 51% of our attendees are from outside of McKinney.

Through the offering of home improvement merchandise at a value price, we offer McKinney citizens, as well as those in our surrounding areas, improved quality of life by providing needed home repair items at affordable prices. Reducing the costs of home repair can offer many low to moderate income families the ability to keep their homes in good repair and stretch their dollar in an ever increasing cost of living area. Sustaining economic growth for residents of the City of McKinney is an important tenet of NCC Habitat and the ReStore. Strong, stable, self-reliant households are the goal of every Habitat affiliate.

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

- This project supports the MCDC initiatives to support cultural, sports, fitness, entertainment, community projects and events that attract resident and visitor participation and contribute to quality of life, business development and growth of McKinney sales tax revenue. It also meets citizen needs for quality of life improvements, business development and sustainable economic growth 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): 2016, 2015, 2014, 2013**

## **I. Financial**

Financially, our organization focuses on our core competencies mentioned above: generating operating income for NCC Habitat Administrative expenses, providing low-cost home improvement and construction materials to the general public, and keeping tons of usable items from landfills. This grant request will offer us the opportunity to advertise our store where there would otherwise not be funds available for such projects.

Total estimated cost for this event is \$9,670. The ReStore is planning to fund 18% of the event costs which covers our allocated advertising dollars and additional entertainment costs not covered by sponsors. Sponsorship inquiries have been sent to or are currently secured with Home Depot, Prosper Bank, the Junior League of Collin County, and Walmart Central Expressway store.

Please see attached financial documents

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

***\$9,670 (Include a budget for the proposed Project/Promotion/Community Event.)***

**What percentage of Project/Promotion/Community Event funding will be provided by the Applicant? 13%**

**Are Matching Funds available?**  Yes  No

Cash \$1500	Source Junior League of Collin County	% of Total 15
In-Kind \$2900	Source Texas Bank, Home Depot, WAY FM, BB&T	% of Total 30

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

**Have any other federal, state, or municipal entities or foundations been approached for funding?**  
*If so, please list entity, date of request and amount requested.*

No federal, state or municipal entities or foundations have been approached for this project.



#### IV. Marketing and Outreach

Marketing plans for this event include:

- A full-size Direct Mail piece to Melissa, Princeton, Frisco households.
- Insert or outside sticker on Community Impact publications.
- Billboard advertisement on Hwy 5.
- On-site Radio broadcasting from WAY FM or KLAK Radio
- City of McKinney water bill inserts to 51,000 households.
- In-Store signs and bag inserts for our customers.
- Restore weekly e-news – circulation of 5,900.
- Habitat e-Newsletter – circulation of 6,100.
- Facebook and Twitter advertisements.
- Press Releases to McKinney, Frisco, Celina, Prosper, Melissa as well as major area news outlets.
- Listing on online community events pages: Air1.com, WAY FM Community page.
- Promotion at local Chamber of Commerce meetings including Frisco, Prosper, Celina, McKinney, Melissa and Princeton.



#### V. Evaluation Metrics

Our event success will be evaluated through a multi-point analysis of events metrics. First we will look at the number of people attending. We will analyze the customer zip code of purchases made and walking through the doors. We will break down the number of customers and purchases compared to surrounding Saturdays and the average Saturday customers and purchases. Also, total sales for the event date will be compared to total sales for last year and average Saturday sales. We will survey all customers regarding how they heard of us and where they are coming from. We can ask their zip code and city gaining more detailed information about each customer rather than merely those in the Rewards Program. Additionally, we will look at the donation trends that occur post event to establish the effect of event on donation procurement.


## 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**

  
Signature

Celeste Haiduk Cox  
Printed Name

May 30, 2017  
Date

**Representative Completing Application**

  
Signature

Elizabeth Johnston  
Printed Name

May 30, 2017  
Date

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

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



North Collin County

**Habitat  
for Humanity®**

**ReStore**

### 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-Batheia	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

#### **Executive Director – 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.

#### **Director of Operations – 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.

### **Director of Finance – 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.

### **Director of Construction – 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.

### **Director of ReStore Operations – 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.

### **Director of Family Programs – 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
Ordinary Income/Expense	
Income	
\$Contributions	429,900
Grants	343,500
Special Events Net Income	68,000
ReStore Sales	1,300,412
Other Income	38,340
Total Income	2,180,152
Cost of Goods Sold	
Cost of Goods Sold (ReStore)	283,408
Total COGS	283,408
Gross Profit	1,896,744
Expense	
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
Total Expense	1,553,196
Net Ordinary Income	343,548
Other Income/Expense	
Other Income	
Sale to Homeowners	695,000
Mortgage Discount Amortization	85,000
Donated Materials-ReStore	760,000
GIK-Material Donations	128,600
Total Other Income	1,668,600
Other Expense	
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 Income	<u><u>23,485</u></u>

## Attachment 3 -ReStore Birthday/Monster Mash October 29, 2016

	<u>Estimated</u>		<u>Actual</u>
<b>Entertainment</b>			
Humane Society	\$0	\$	-
Face painting/balloon twister (3 hours)	\$300	\$	-
Craft Station: Home Depot Kids Workshop	\$750	\$	-
Music Station	\$0	\$	-
Photo Booth Guy	\$250	\$	-
Games & Contest Prizes and Candy	\$500	\$	-
Haunted Cave	<u>\$150</u>	<u>\$</u>	<u>-</u>
TOTAL	<b>\$1,950</b>		
<b>Food</b>			
Hot Dogs	\$500	\$	-
Chips	\$350	\$	-
Condiments & napkins	\$50	\$	-
Drinks	\$150	\$	-
Ice	\$100	\$	-
Popcorn	\$65	\$	-
Total	<b>\$1,215</b>	<b>\$</b>	<b>-</b>
<b>Advertising</b>			
Direct Mailing	\$1,600	\$	-
Community Impact Insert	\$1,200	\$	-
Radio Broadcasting	\$1,500	\$	-
Community Impact Ad - McKinney	\$395	\$	-
Community Impact Ad - Frisco	\$395	\$	-
Water bill Inserts	\$700	\$	-
Billboard (1)	\$125	\$	-
Posters	\$85	\$	-
2 in-store signs	<b>\$80</b>	<b>\$</b>	<b>-</b>
Ad Pages	<u>\$425</u>	<u>\$</u>	<u>-</u>
Total	<b>\$ 6,505</b>	<b>\$</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$9,670</b>		
<b>Funding Match</b>			
Junior League of CC	\$1,000		
MCDC	\$4,000		
Texas Bank GIK	\$900		
Home Depot GIK	\$750		
BB&T	\$500		
WAY FM GIK	\$750		
New Sponsor of Entertainment	\$500		
Total	<b>\$8,400</b>	<b>\$</b>	<b>-</b>
<b>NET Total</b>	<b>\$1,270</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

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



*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

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OGDEN UT 84201-0029

In reply refer to: 4077550277  
Mar. 09, 2015 LTR 4167C 0  
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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



**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.

*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	30,615	22,815
Total Current Assets	1,350,827	1,190,130
<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	226,438	163,083
Total Long-term Assets	3,582,708	3,537,225
Total Assets	\$ 4,933,535	\$ 4,727,355
<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)	88,674	132,968
Total Current Liabilities	353,767	398,065
<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)	1,229,638	1,293,299
Total Long-term Liabilities	2,103,895	2,230,431
Total Liabilities	2,457,662	2,628,496
<b>NET ASSETS</b>		
Unrestricted	1,639,620	1,432,181
Temporarily restricted	836,253	666,678
Total Net Assets	2,475,873	2,098,859
Total Liabilities and Net Assets	\$ 4,933,535	\$ 4,727,355

**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>	180,127
<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	\$ 240,316	\$ 305,195
Cash paid for interest	\$ 36,560	\$ 61,304

**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 Ownership	ReStore	Management 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 Ownership	ReStore	Management 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.

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
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:

	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Homes</u>	<u>Cost</u>	<u>Homes</u>	<u>Cost</u>
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	\$ 836,253	\$ 666,678

**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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## 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, 2013 and 2014, 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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*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	22,815	315
Total Current Assets	1,190,130	1,031,362
<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	163,083	274,823
Total Long-term Assets	3,537,225	3,523,482
Total Assets	\$ 4,727,355	\$ 4,554,844
<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)	132,968	96,924
Total Current Liabilities	398,065	347,235
<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)	1,293,299	1,358,114
Total Long-term Liabilities	2,230,431	2,140,246
Total Liabilities	2,628,496	2,487,481
<b>NET ASSETS</b>		
Unrestricted	1,432,181	1,571,452
Temporarily restricted	666,678	495,911
Total Net Assets	2,098,859	2,067,363
Total Liabilities and Net Assets	\$ 4,727,355	\$ 4,554,844

**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 Restricted	Permanently Restricted	2015 Total	2014 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	431,849	( 431,849)	-	-	-
<b>Total Revenue and Other Support</b>	<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	132,444	-	-	132,444	131,427
<b>Total Expenses</b>	<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	( 519)	-	-	( 519)	20,765
<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 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	<u>3,536</u>	<u>3,347</u>
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	<u>328,190</u>	<u>387,117</u>
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	<u>( 124,659)</u>	<u>( 32,070)</u>
Transfers to homeowners subject to non-interest bearing mortgage loans	<u>\$ 305,195</u>	<u>\$ 260,954</u>
Cash paid for interest	<u>\$ 61,304</u>	<u>\$ 57,110</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, 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.

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
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:

	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Homes</u>	<u>Cost</u>	<u>Homes</u>	<u>Cost</u>
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.



## CHECKLIST:

### CHECKLIST:

#### Completed Application:

- Use the form/format provided
- Organization Description
- Outline of Project/Promotional/Community Event; description, budget, goals and objectives
- Indicate the MCDC goal(s) that will be supported by this Project/Promotional/Community Event
- Project/Promotional/Community Event timeline and venue
- Plans for marketing and outreach
- Evaluation metrics
- List of board of directors and staff

#### Attachments:

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

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

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

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