

**NORTH COLLIN COUNTY
HABITAT FOR HUMANITY**

FINANCIAL STATEMENTS

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

WITH INDEPENDENT AUDITORS' REPORT

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

October 18, 2013

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

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

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

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

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

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

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

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

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

Basis of Accounting

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

Basis of Presentation

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

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

A description of the three net asset categories follows:

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

Cash and Cash Equivalents

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

Contributions Receivable

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

Mortgages Receivable

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

Property and Equipment

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

Construction in Progress

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

Support

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

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

Functional Expenses

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

Estimates

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

Tax Status

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

2. PROPERTY AND EQUIPMENT

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

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

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

3. CONSTRUCTION IN PROGRESS

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

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

4. INVENTORIES

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

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

5. SALES TO HOMEOWNERS

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

6. MORTGAGES RECEIVABLE

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

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

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

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

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

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

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

7. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2013 are as follows:

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

8. NOTES PAYABLE

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

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

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

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

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

9. IN-KIND CONTRIBUTIONS

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

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

10. RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

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

11. OPERATING LEASES

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

Annual minimum lease payments on these leases are as follows:

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

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

12. COMMITMENTS AND CONTINGENCIES

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

13. CONCENTRATION OF CREDIT RISK

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

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

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

14. TRANSACTIONS WITH HABITAT INTERNATIONAL

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

15. RECLASSIFICATIONS

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

16. SUBSEQUENT EVENTS

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

SUPPLEMENTAL SCHEDULES

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

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

See accompanying independent auditor's report.

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

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

See accompanying independent auditor's report.