

**NORTH COLLIN COUNTY  
HABITAT FOR HUMANITY**

**FINANCIAL STATEMENTS**

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

**WITH INDEPENDENT AUDITORS' REPORT**



# NORTH COLLIN COUNTY HABITAT FOR HUMANITY

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

## INDEPENDENT AUDITORS' REPORT

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

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

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

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

### *Auditor's Responsibility*

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above presented fairly in all material respects, the financial position of North Collin County Habitat for Humanity as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 16-17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

October 10, 2014

# **FINANCIAL STATEMENTS**

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

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

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

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# NORTH COLLIN COUNTY HABITAT FOR HUMANITY

## STATEMENTS OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2014**

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

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

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

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# NORTH COLLIN COUNTY HABITAT FOR HUMANITY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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

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

# NORTH COLLIN COUNTY HABITAT FOR HUMANITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

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

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

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

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

#### Basis of Accounting

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

#### Basis of Presentation

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

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

A description of the three net asset categories follows:

### ***Unrestricted Net Assets***

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

### ***Temporarily Restricted Net Assets***

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

### ***Permanently Restricted Net Assets***

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

### **Cash and Cash Equivalents**

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

### **Contributions Receivable**

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

### **Mortgages Receivable**

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

## **Property and Equipment**

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

## **Construction in Progress**

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

## **Support**

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

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

## **Functional Expenses**

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

## **Estimates**

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

## Tax Status

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

## 2. PROPERTY AND EQUIPMENT

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

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

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

### 3. CONSTRUCTION IN PROGRESS

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

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

### 4. INVENTORIES

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

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

### 5. SALES TO HOMEOWNERS

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

## 6. MORTGAGES RECEIVABLE

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

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

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

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

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

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

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

## 7. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2014 are as follows:

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

## 8. NOTES PAYABLE

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

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

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

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

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

## 9. IN-KIND CONTRIBUTIONS

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

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

## 10. RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

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

## 11. OPERATING LEASES

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

Annual minimum lease payments on these leases are as follows:

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

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

## **12. COMMITMENTS AND CONTINGENCIES**

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

## **13. CONCENTRATION OF CREDIT RISK**

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

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

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

## **14. TRANSACTIONS WITH HABITAT INTERNATIONAL**

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

## **15. RECLASSIFICATIONS**

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

**16. SUBSEQUENT EVENTS**

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

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# **SUPPLEMENTAL SCHEDULES**

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# NORTH COLLIN COUNTY HABITAT FOR HUMANITY

## SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

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

See accompanying independent auditor's report.

# NORTH COLLIN COUNTY HABITAT FOR HUMANITY

## SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

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

See accompanying independent auditor's report.