

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; by calling 214.544.0296 or by emailing cschneible@mckinneycdc.org
- Please call to discuss your plans for submitting an application **in advance** of completing the form. Completed application and all supporting documents are required to be submitted electronically or on a CD for consideration by the MCDC board. Please submit the application to:

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

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

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

Please indicate the type of funding you are requesting:

- | | |
|---|---|
| <input type="checkbox"/> 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. | <input checked="" type="checkbox"/> Promotional or Community Event Grant (<u>maximum \$15,000</u>)
Initiatives, activities and events that promote the City of McKinney for the purpose of developing new or expanded business opportunities and/or tourism – and enhance quality of life for McKinney residents. |
|---|---|

Promotional and Community Event Grants:

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: January 4, 2016	January 2016	February 2016
Cycle II: June 30 2016	July 2016	August 2016

Project Grants:

Application Deadline	Presentation to MCDC Board	Board Vote and Award Notification
Cycle I: January 29, 2016	February 2016	March 2016
Cycle II: April 29, 2016	May 2016	June 2016
Cycle III: July 29, 2016	August 2016	September 2016

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: Grant Writer & Marketing Coordinator

Mailing Address: 2060 Couch Drive

City: McKinney

ST: Texas

Zip: 75069

Phone: 972-542-5300

Fax: 972-542-5159

Email: marketing@ncc-habitat.com

CONTACT FOR COMMUNICATIONS BETWEEN MCDC AND ORGANIZATION:

Name: Elizabeth Johnston

Title: Grant Writer & Marketing Coordinator

Mailing Address: 2060 Couch Drive

City:McKinney

ST: Texas

Zip: 75069

Phone972-542-5300

Fax: 972-542-5159

Email: marketing@ncc-habitat.com

FUNDING

Total amount requested: \$4,500

Matching Funds Available: \$3250

PROJECT/PROMOTION/COMMUNITY EVENT

Start Date: October 29, 2016

Completion Date: October 29, 2016

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

Please, see attached

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

Please, see attached

I. North Collin County Habitat for Humanity 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 31 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 83-year-old couple working to repair donated lighting and fans, and two individuals who repair all donated appliances.



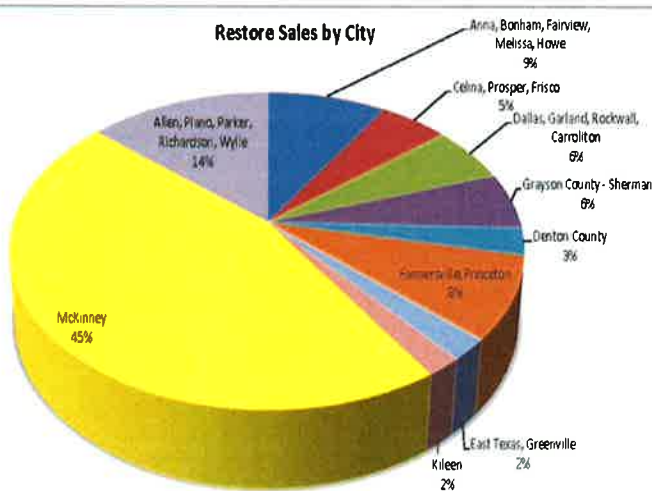
Donated items from throughout Collin County are collected by free pick up five days a

week. Donated latex paint is remixed and resold. The ReStore recycles 14,000 pounds of metals per month and diverted 1.2 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 within the next 12 months to better meet our customer needs and extend our service reach.

More than 5,000 are registered for the Rewards Club, with

45% of those 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 19% 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 29, 2016 with a variety of activities attracting potential customers and visitors. 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 29, 2016

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

11:30 am – 1:00 pm Free food! Lunch Provided by Prosper Bank

11:30 am Scariest Pet Content

1:00 pm Costume contest for all ages

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 750+ to the event, **which is a 20% increase over last year.**

In 2015, we recorded 598 customers attended this event. It was the highest sales volume day of the fall season with over \$7,300 in sales for that day. These events have in the past drawn customers to McKinney from all over Collin County. A breakdown of our event last year drew 56% of our purchases from customers outside McKinney. We are targeting a 20% increase in 2016 over last year, which would be 750 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.

Narrative Page 2

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 9400 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.

Project Grants – please complete the section below:

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

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

No such study has yet been completed on the project.

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 and visit our store. 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. Quality of life benefits are widely promoted through this event with adding comfort and stability to our customer’s homes through our merchandise, while improving and stabilizing the families in their communities. Stable families improve every positive statistic for cities and communities. Better neighborhoods are better for everyone.

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.

ReStore Event Sales Totals

2014	Sales Total	Increase over Average
Spring Bling	\$7,305	20% Increase
Birthday Bash	\$10,119	67% Increase
2015		
Spring Bling	\$8,366	38% Increase
Birthday Bash	\$7,310	20% Increase
2016		
Spring Bling	\$8,574	41% Increase
Birthday Bash	TBD	TBD
Average Saturday Sales	\$6,046	

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 community events that attract residents and visitor participation and contribute to quality of life, business development and growth of McKinney sales tax revenue. It also supports meeting the needs of citizens for quality of life improvements, 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

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 \$8,800. 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?

\$8,800 (Include a budget for the proposed Project/Promotion/Community Event.)

Narrative Page 5

What percentage of Project/Promotion/Community Event funding will be provided by the Applicant? 18%

Are Matching Funds available? Yes No

Cash \$2,000	Source Junior League of CC, Walmart	% of Total 22
In-Kind \$1,250	Source Prosper Bank, Home Depot	% of Total 14

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 mid-size Direct Mail piece to Melissa, Princeton, Frisco households.
- Door hangers placed on homes in the Melissa, Princeton and Frisco areas.
- Billboard advertisement in Frisco and McKinney.
- In-Store signs and bag inserts for our customers.
- City of McKinney water bill inserts to 45,000 households.
- Restore weekly e-news – circulation of 5,100
- Habitat e-Newsletter – circulation of 5,500
- 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: Bubble Life, Air1.com, Frisco-Online
- 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. 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. New for this year, we will have the space and capability to 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/Promotion/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, outreach, advertising and public relations as a funder of the Project/Promotion/Community Event. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement;
- Organization's officials who have signed the application are authorized by the organization to submit the application;
- Applicant will comply with the MCDC Grant Guidelines in executing the Project/Promotion/Community Event for which funds were received.
- A final report detailing the success of the Project/Promotion/Community Event, as measured against identified metrics, will be provided to MCDC no later than 30 days following the completion of the Project/Promotion/Community Event.
- Up to 80% of the approved grant may be provided, on a reimbursement basis, prior to conclusion of the Project/Promotion/Community Event with submission of invoices/receipts to MCDC. The final 20% may be paid following MCDC's receipt of unpaid invoices/receipts; documentation of fulfillment of obligations to MCDC; and final report on the Project/Promotion/Community Event.
- The required performance agreement will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120th day after the date the MCDC notifies the applicant of the violation.

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

Chief Executive Officer



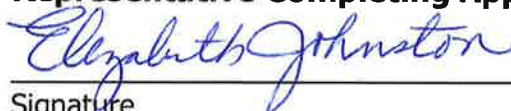
Signature

Celeste Haiduk Cox
Printed Name

Date

June 27, 2016

Representative Completing Application



Signature

Elizabeth C. Johnston
Printed Name

Date

June 27, 2016

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

Attachment 1 – Listing of Board of Directors & Staff



Board of Directors - Fiscal Year 2015 - 2016

<u>Board Member</u>	<u>Position</u>	<u>Background</u>
Mr. Terry Busha	President	Finance
Mr. Matt Hilton	President-elect	Real Estate Owner/Agent
Ms. Jerrica Anderson	Vice President	Banking
Mr. Nelson Carter	Secretary	Director Mkt/Training
Mr. Jason Jupiterwala	Treasurer	Retired
Ms. Cindy Maxwell-Bathea	Asst Secretary	Retired
Mr. Rick Alcalá'		
Mr. Tim Baker		
Mr. David Hale		
Mr. Jason Jupiterwala		
Mr. Jack Kocks		
Mr. JR Russell		
Mrs. Olive Swearingen		
Mr. Martin Smith		
Mr. Jac Schuster		
Fr. Don Zeiler		

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 – Currently Open

Director of ReStore Operations – Rick Green

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 – LaVeeta Hamilton

LaVeeta Hamilton joined NCC-Habitat in July of 2011. LaVeeta has a diverse background and has worked for the Salvation Army and also the Dallas Housing Authority just to name a few. LaVeeta has an Associate’s Degree in Criminal Justice, Bachelor’s Degree in Behavioral Science and Master’s Degree in Clinical Counseling. “The joy of calling a family to let them know they are approved for a home, is the most rewarding part of my job,” LaVeeta said. She is a Native Nebraskan and has lived in Texas since 2008. LaVeeta is a proud mother of two beautiful children and grandmother to grandson Jeff.

Additional Staff Members

Pat Gonzales – ReStore Assistant Manager

Lindsey Little – ReStore Floor Supervisor

Scott Blackburn – Construction Coordinator

Elizabeth Johnston – Grant Writer & Marketing Coordinator

Blane Pound – Land Acquisition Coordinator

Dawn Serr – Volunteer Coordinator

Haley Tarrell – Community Engagement Coordinator

Marie Rosenbaum – Finance Assistant

Caren Lopez – Receptionist

Attachment 2 - Organizational Budget for Current Fiscal Year

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

	Budget
	Jul'15-Jun'16
Ordinary Income/Expense	
Income	
\$Contributions	466,300
Grants	142,000
Special Events Net Income	20,500
ReStore Sales	1,188,494
Other Income	62,440
Total Income	1,879,734
Cost of Goods Sold	
Cost of Goods Sold (ReStore)	352,506
Total COGS	352,506
Gross Profit	1,527,228
Expense	
Administrative	107,238
Fleet Expense	35,171
Program Svcs-Mission Specific	178,475
Marketing & Advertising	48,340
Employee Related Expenses	949,594
Occupancy Expense	95,674
Meetings & Travel	31,545
Total Expense	1,446,037
Net Ordinary Income	81,191
Other Income/Expense	
Other Income	
Sale to Homeowners	750,000
Mortgage Discount Amortization	85,000
Donated Materials-ReStore	540,000
GIK-Material Donations	237,675
Total Other Income	1,612,675
Other Expense	
Construction Cost (CIP)	755,050
Mortgage Discount Expense	210,000
ReStore GIK (COGS)	540,000
Other GIK Expense	29,000
Depreciation Expense	89,700
HFH International SOSI Fee	15,000

HFH International Tithe	<u>26,000</u>
Total Other Expense	<u>1,664,750</u>
Net Other Income	<u>(52,075)</u>
Net Income	<u><u>29,116</u></u>

Attachment 3 - Budget for ReStore Birthday Bash Monster Mash Event

ReStore Birthday/Monster Mash October 29, 2016

Entertainment	<u>Estimated</u>	
Humane Society	\$0	
Face painting/balloon twister (3 hours)	\$300	
Craft Station: Home Depot Kids		
Workshop	\$500	
Video Gaming Truck	\$750	
Photo Booth Guy	\$250	
Games & Contest Prizes and Candy	\$150	
Haunted Cave	\$150	
	\$ 2,100	2100
<hr/>		
Food		
Hot Dogs	\$200	
Drinks	\$150	
Ice	\$100	
Popcorn	\$65	
Sno Cone machine	\$250	
	\$765	765
<hr/>		
Advertising		
Direct Mailing	\$1,600	
Water bill Inserts	\$1,870	
Billboard (2)	\$1,875	
Posters	\$85	
2 in-store signs	\$80	
Ad Pages	\$425	
	\$ 5,935	5935
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TOTAL	\$ 7,565	\$8,800
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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

Attachment 5 - Audited Financial Statements

**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.

1

401 WEST HIGHWAY 6 ■ P. O. BOX 20725 ■ WACO, TX 76702-0725 ■ (254) 772-4901 ■ FAX: (254) 772-4920 ■ www.pbhpa.com
AFFILIATE OFFICES: HILLSBORO, TX (254) 582-2583 ■ HOUSTON, TX (281) 671-6259
RIO GRANDE VALLEY, TX (956) 544-7778 ■ TEMPLE, TX (254) 791-3460 ■ ALBUQUERQUE, NM (505) 266-5904

Opinion

In our opinion, the financial statements referred to above presented fairly in all material respects, the financial position of North Collin County Habitat for Humanity as of June 30, 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
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 125,363	\$ 96,961
Temporarily restricted cash	191,869	40,144
Contributions receivable	268,319	301,384
Inventory	186,734	193,531
Inventories - land held for development	175,426	203,573
Non-interest bearing mortgages receivable, current portion (net of discount)	158,166	145,266
TDHCA Boot Strap agency receivables, current portion	61,438	50,188
Other receivables	<u>22,815</u>	<u>315</u>
Total Current Assets	<u>1,190,130</u>	<u>1,031,362</u>
LONG-TERM ASSETS		
Property, furniture and equipment (net)	1,521,359	1,556,404
Contributions receivable	25,000	60,500
Non-interest bearing mortgages receivable, long-term portion (net of discount)	1,954,415	1,865,651
TDHCA Boot Strap agency receivables, long-term portion	923,897	766,899
HBA agency receivable	16,250	17,250
Discount on non-interest bearing mortgage	(1,066,779)	(1,018,045)
Construction in progress	<u>163,083</u>	<u>274,823</u>
Total Long-term Assets	<u>3,537,225</u>	<u>3,523,482</u>
Total Assets	<u>\$ 4,727,355</u>	<u>\$ 4,554,844</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 85,856	\$ 95,509
Escrow-mortgage holders	69,717	67,834
Due to ReStore	48,086	36,780
Due to TDHCA Boot Strap, current portion	61,438	50,188
Notes payable, current portion (net of discount)	<u>132,968</u>	<u>96,924</u>
Total Current Liabilities	<u>398,065</u>	<u>347,235</u>
LONG-TERM LIABILITIES		
Due to TDHCA Bootstrap, long-term portion	924,465	767,465
Due to HBA	12,667	14,667
Notes payable, long-term portion (net of discount)	<u>1,293,299</u>	<u>1,358,114</u>
Total Long-term Liabilities	<u>2,230,431</u>	<u>2,140,246</u>
Total Liabilities	<u>2,628,496</u>	<u>2,487,481</u>
NET ASSETS		
Unrestricted	1,432,181	1,571,452
Temporarily restricted	<u>666,678</u>	<u>495,911</u>
Total Net Assets	<u>2,098,859</u>	<u>2,067,363</u>
Total Liabilities and Net Assets	<u>\$ 4,727,355</u>	<u>\$ 4,554,844</u>

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

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
REVENUE AND OTHER SUPPORT					
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)	-	-	-
Total Revenue and Other Support	2,825,119	170,767	-	2,995,886	2,977,387
EXPENSES					
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
Total Expenses	2,915,454	-	-	2,915,454	2,589,807
OTHER INCOME/(EXPENSES)					
Gain (Loss) on disposition of assets	(519)	-	-	(519)	20,765
CHANGE IN NET ASSETS	(90,854)	170,767	-	79,913	408,345
NET ASSETS, BEGINNING OF YEAR	1,523,035	495,911	-	2,018,946	1,610,601
NET ASSETS, END OF YEAR	\$ 1,432,181	\$ 666,678	\$ -	\$ 2,098,859	\$ 2,018,946

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>
CASH FLOWS FROM OPERATING ACTIVITIES		
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>
 CASH FLOWS FROM INVESTING ACTIVITIES		
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>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	180,127	24,401
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>137,105</u>	<u>112,704</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 317,232</u>	<u>\$ 137,105</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Issuance of non-interest bearing mortgage loans	\$ 429,854	\$ 293,024
Discount on non-interest bearing mortgages loans	(124,659)	(32,070)
Transfers to homeowners subject to non-interest bearing mortgage loans	<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
Total Expenses	\$ 1,345,517	\$ 1,437,493	\$ 132,444	\$ 2,915,454

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
Total Expenses	\$ 1,033,698	\$ 1,424,682	\$ 131,427	\$ 2,589,807

See accompanying independent auditor's report.

NORTH COLLIN COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

1. ORGANIZATION AND NATURE OF ACTIVITIES

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

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

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

A description of the three net asset categories follows:

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

Cash and Cash Equivalents

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

Restricted Cash

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

Contributions Receivable

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

Mortgages Receivable

Mortgages receivables consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments. The mortgages have an original maturity of 20 years. These mortgages have been discounted at various rates ranging from 7.39% to 8.34% based on the prevailing market rates at the inception of the mortgages. Interest income (amortization of the discount) is recorded using the straight-line method over the lives of the mortgages.

Property and Equipment

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

Construction in Progress

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

Support

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

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

Functional Expenses

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

Estimates

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

Income Taxes

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

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

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

Support and Cost

Grants, gifts of cash, and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of net activities as net assets released from restrictions.

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

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

Expense Allocation

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

Donated Services

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

Construction in Progress

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

Transfer or Sale to Homeowners

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

Home Construction Costs

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

Prior Year Summarized Information

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

3. PROPERTY AND EQUIPMENT

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

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

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

4. CONSTRUCTION IN PROGRESS

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

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

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:

Completed Application:

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

Attachments:

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

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

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

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



McKINNEY COMMUNITY DEVELOPMENT CORPORATION

Final Report

Organization:

Funding Amount:

Project/Promotion/Community Event:

Start Date:

Completion Date:

Location of Project/Promotion/Community Event:

Please include the following in your report:

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

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

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

Attn: Cindy Schneible
cschneible@mckinneycdc.org