

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**

**NEW SMYRNA BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**(AUDITED)**

**JUNE 30, 2015**

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Southeast Volusia Habitat for Humanity, Inc.  
New Smyrna Beach, Florida

We have audited the accompanying financial statements of Southeast Volusia Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows, and functional expenses for the year 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 of 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 present fairly, in all material respects, the financial position of Southeast Volusia Habitat for Humanity, Inc., as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Daytona Beach, Florida  
September 15, 2015

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**

**ASSETS**

**Current Assets**

|   |                     |
|---|---------------------|
| Cash and Cash Equivalents               | \$ 394,840          |
| Pledges Receivable - Sales Tax Credits  | 116,000             |
| Other Receivables                       | 57,216              |
| Merchandise Inventory                   | 14,423              |
| Construction In Progress                | 574,873             |
| Current Portion of Mortgages Receivable | 230,060             |
| Home Inventory                          | 69,374              |
| Land Held for Future Use, Net           | 1,204,282           |
| Prepaid Expenses                        | 18,565              |
| <b>Total Current Assets</b>             | <u>\$ 2,679,633</u> |

**Non-Current Assets**

|  |                  |
|--|------------------|
| Property and Equipment, Net                    | 946,339          |
| Long-Term Portion of Mortgages Receivable, Net | 1,807,190        |
| Employee Receivable                            | 3,259            |
| <b>Total Non-Current Assets</b>                | <u>2,756,788</u> |

**Total Assets**

\$ 5,436,421

**LIABILITIES AND NET ASSETS**

**Liabilities**

**Current Liabilities**

|                                       |               |
|---------------------------------------|---------------|
| Accounts Payable and Accrued Expenses | \$ 33,531     |
| Current Maturities of Long-Term Debt  | 41,024        |
| <b>Total Current Liabilities</b>      | <u>74,555</u> |

**Long-Term Debt, Less Current Portion**

277,782

**Total Liabilities**

352,337

**Net Assets**

|                         |                  |
|-------------------------|------------------|
| Unrestricted            | 4,968,084        |
| Temporarily Restricted  | 116,000          |
| <b>Total Net Assets</b> | <u>5,084,084</u> |

**Total Liabilities and Net Assets**

\$ 5,436,421

See Accompanying Notes

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|   | Unrestricted        | Temporarily<br>Restricted | Total               |
|---|---------------------|---------------------------|---------------------|
| <b>Revenue and Support</b>  |                     |                           |                     |
| Government Grants - Volusia County  | \$ 46,875           | \$ -                      | \$ 46,875           |
| Contributions - Business  | 33,988              | 116,000                   | 149,988             |
| Lot Donations   | 109,614             | -                         | 109,614             |
| Contributions - Individuals & Churches                                      | 22,907              | -                         | 22,907              |
| Sales to Homeowners   | 1,144,250           | -                         | 1,144,250           |
| Thrift Store Revenue - Donated Goods  | 839,522             | -                         | 839,522             |
| Sale of Merchandise   | 39,023              | -                         | 39,023              |
| Mortgage Discount Amortization  | 119,429             | -                         | 119,429             |
| Loss on Sale of Land  | (41,307)            | -                         | (41,307)            |
| Rental, Interest, and Miscellaneous Revenue, Net                            | 9,673               | -                         | 9,673               |
| Special Event Revenues - Net  | 2,195               | -                         | 2,195               |
| <b>Total Revenue and Support</b>  | <u>2,326,169</u>    | <u>116,000</u>            | <u>2,442,169</u>    |
| <b>Net Assets Released From Restrictions</b>                                |                     |                           |                     |
| Satisfaction of Purpose Restrictions  | 360,000             | (360,000)                 | -                   |
| Satisfaction of Time Restrictions   | 155,000             | (155,000)                 | -                   |
| <b>Total Net Assets Released From Restrictions</b>                          | <u>515,000</u>      | <u>(515,000)</u>          | <u>-</u>            |
| <b>Total Revenue, Support and Net Assets<br/>Released from Restrictions</b> | <u>2,841,169</u>    | <u>(399,000)</u>          | <u>2,442,169</u>    |
| <b>Expenses</b>   |                     |                           |                     |
| <b>Program Services</b>   |                     |                           |                     |
| Home Ownership  | 2,089,101           | -                         | 2,089,101           |
| Thrift Store  | 358,068             | -                         | 358,068             |
| <b>Supporting Services</b>  |                     |                           |                     |
| Management and General  | 144,701             | -                         | 144,701             |
| Fund Raising Expenses   | 3,425               | -                         | 3,425               |
| <b>Total Expenses</b>   | <u>2,595,295</u>    | <u>-</u>                  | <u>2,595,295</u>    |
| <b>Change in Net Assets</b>   | <u>245,874</u>      | <u>(399,000)</u>          | <u>(153,126)</u>    |
| <b>Net Assets - Beginning of Year</b>                                       | <u>4,722,210</u>    | <u>515,000</u>            | <u>5,237,210</u>    |
| <b>Net Assets - End of Year</b>   | <u>\$ 4,968,084</u> | <u>\$ 116,000</u>         | <u>\$ 5,084,084</u> |

See Accompanying Notes

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Cash Flows From Operating Activities**

Reconciliation of Increase in Net Assets to Net Cash

Provided by Operating Activities

|  |              |
|--|--------------|
| Increase in Net Assets   | \$ (153,126) |
| Adjustments to Reconcile Decrease in Net Assets to<br>Net Cash Used In Operating Activities: |              |
| Depreciation   | 32,160       |
| New Mortgages Receivable Issued  | (1,032,770)  |
| Discounts on Mortgages Receivable Issued   | 587,868      |
| Mortgage Receivable Discount Amortization  | (120,581)    |
| Donated Land   | (109,614)    |
| Loss on sale of Land   | 41,307       |
| Collections on Mortgages Receivable  | 171,001      |
| (Increase) Decrease in Certain Assets:   |              |
| Pledges Receivable - Sales Tax Credits   | 39,000       |
| Pledges Receivable - Mortgage Settlement Funds   | 360,000      |
| Other Receivables  | (32,058)     |
| Inventory - Merchandise  | 496          |
| Construction in Progress   | 476,403      |
| Home Inventory   | 104,950      |
| Inventory – Land   | (244,614)    |
| Deposit on Land  | 10,000       |
| Prepaid Expenses   | (530)        |
| Increase (Decrease) in Certain Liabilities:  |              |
| Accounts Payable and Accrued Expenses  | 6,885        |
| Total Adjustments  | 289,903      |

**Net Cash Provided by Operating Activities**

136,777

**Cash Flows From Investing Activities**

|                            |        |
|----------------------------|--------|
| Employee Receivable        | 400    |
| Proceeds from Sale of land | 62,693 |

**Net Cash Provided By Investing Activities**

63,093

**Cash Flows From Financing Activities**

|                            |          |
|----------------------------|----------|
| Payments on Long-Term Debt | (36,717) |
|----------------------------|----------|

**Net Decrease In Cash and Cash Equivalents**

163,153

**Cash and Cash Equivalents – Beginning of Year**

231,687

**Cash and Cash Equivalents – End of Year**

\$ 394,840

See Accompanying Notes

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|                                    | Program Services    |                   | Supporting Activities   |                 | Total               |
|------------------------------------|---------------------|-------------------|-------------------------|-----------------|---------------------|
|                                    | Home<br>Ownership   | Thrift<br>Store   | Management<br>& General | Fund<br>Raising |                     |
| Salaries, Wages, Taxes & Insurance | \$ 159,105          | \$ 224,221        | \$ 115,127              | \$ -            | \$ 498,453          |
| Advertising                        | 2,976               | 3,467             | -                       | -               | 6,443               |
| Cost of Homes Sold                 | 1,207,610           | -                 | -                       | -               | 1,207,610           |
| Cost of Product Sold               | -                   | 27,263            | -                       | -               | 27,263              |
| Assistance to Individuals -        |                     |                   |                         |                 |                     |
| Mortgage Discount                  | 587,868             | -                 | -                       | -               | 587,868             |
| Tithe Expense                      | 36,000              | -                 | -                       | -               | 36,000              |
| Bank & Credit Card Fees            | -                   | 8                 | 2,158                   | -               | 2,166               |
| Postage & Printing                 | 1,689               | -                 | -                       | -               | 1,689               |
| Maintenance & Repairs              | 2,851               | 11,373            | -                       | -               | 14,224              |
| Security                           | -                   | 3,430             | -                       | -               | 3,430               |
| Office Rent                        | 9,000               | -                 | -                       | -               | 9,000               |
| Utilities/Telephone                | 7,482               | 23,323            | -                       | -               | 30,805              |
| Vehicle Expense                    | 4,891               | 3,179             | -                       | -               | 8,070               |
| Supplies                           | 9,412               | 15,932            | -                       | -               | 25,344              |
| Other Expenses                     | 8,041               | -                 | -                       | -               | 8,041               |
| Legal-Professional                 | 9,388               | -                 | 11,700                  | 3,425           | 24,513              |
| Travel                             | 3,996               | -                 | -                       | -               | 3,996               |
| Volunteer Expenses                 | 13,270              | -                 | -                       | -               | 13,270              |
| Depreciation                       | -                   | 32,160            | -                       | -               | 32,160              |
| Insurance                          | 1,331               | 13,712            | 15,257                  | -               | 30,300              |
| Office Expense                     | 7,988               | -                 | -                       | -               | 7,988               |
| Conferences & Conventions          | 623                 | -                 | 459                     | -               | 1,082               |
| Interest Expense                   | 15,580              | -                 | -                       | -               | 15,580              |
| <b>Total Expenses</b>              | <b>\$ 2,089,101</b> | <b>\$ 358,068</b> | <b>\$ 144,701</b>       | <b>\$ 3,425</b> | <b>\$ 2,595,295</b> |

See Accompanying Notes

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**1. Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities:**

Southeast Volusia Habitat for Humanity, Inc. is a not-for-profit organization located in New Smyrna Beach, Florida and incorporated on January 31, 1989, under the laws of the State of Florida. The Organization was established as an affiliate of Habitat for Humanity International, Inc. to sponsor specific projects in habitat development, consisting of the construction of modest but adequate housing for families in need of such housing. The Organization provides non-interest bearing mortgages to qualified homeowners. Funds are raised primarily from the operation of the Organization's Thrift Store, where donated items are sold to the public.

**Basis of Accounting:**

The Organization prepares its financial statements in accordance with United States generally accepted accounting principles applicable to voluntary health and welfare organizations, which involve the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Donated Services and Assets:**

Contributions of donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. No amounts related to volunteer services have been recognized in the accompanying statement of activities because of criteria for recognition of such volunteer effort under Statement of Financial Accounting (SFAS) No. 116 have not been satisfied.

Contributions of services and materials used in the construction of homes are recorded at fair value at the date of the gift, and are included in construction in progress. Upon the sale of a home, the construction in progress balance is reclassified to the cost of construction.

**Contributions:**

Contributions, including unconditional promises to give, are recorded as received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for the general activities of the Organization unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are reflected as short-term contributions receivable and are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reflected as long-term contributions receivable and are reported at the present value of their net realizable value. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

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 activities as net assets released from restrictions. Donor restricted contributions are recorded in the temporarily restricted class for restrictions expiring during this fiscal year, and then reclassified to the unrestricted class.



**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**1. Nature of Activities and Summary of Significant Accounting Policies (Con't)**

**Cash and Cash Equivalents:**

The Organization considers all checking and money market accounts to be cash equivalents other than cash held in escrow on behalf of homeowners.

**Merchandise Inventory:**

Merchandise Inventory consists of residential wood flooring purchased for re-sale in the Organization's thrift shop. The inventory is stated at lower of cost or market using the first-in, first-out (FIFO) method.

**Construction in Progress:**

The Organization records the costs of construction of homes in construction in progress until the sale of the home closes. Costs of construction include all direct material and labor costs and those indirect costs related to home construction, and any in-kind contributions of materials and labor for home construction. Revenue from the sale of a home, and the related costs, are recognized when the sale closes and collection of the revenue is reasonably assured.

**Mortgages Receivable:**

The Organization provides mortgage notes to homeowners upon the sale of a home. The notes are approved to the homeowners at zero percent interest, and the face value of the mortgage receivable is discounted by the Organization at the time the loan is made. The discount rate used is provided by Habitat for Humanity International, Inc., and is commensurate with market interest rates of similar mortgages. Mortgages receivable are considered by the Organization to be fully collectible and accordingly no allowance for doubtful accounts is considered necessary.

**Home Inventory:**

Home Inventory represents one home that was foreclosed on in a previous year. Home inventory is recorded at the value of the mortgage, plus any additional costs incurred, or net realizable value, whichever is less.

**Land Held for Future Use:**

The inventory consists of approximately 70 buildable lots. The land inventory is stated at net realizable value which includes the purchase price of the land or value at date of donation (if donated) plus any related costs to acquire the property less any unrealized decline in value (See Note 4).

**Property and Equipment:**

Property and equipment are stated at cost or at estimated fair value at the date of the gift. Certain donated services are capitalized as improvements when those services enhance the value of assets. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000; expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets, which range from 5 to 39 years.

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**1. Nature of Activities and Summary of Significant Accounting Policies (Con't)**

**Income Taxes**

The Organization is included in a roster of exempt subordinates that qualify as tax-exempt organizations under Habitat for Humanity International, Inc.'s exemption under Section 501(c)(3) of the Internal Revenue Code. The Organization does not believe it has taken any uncertain tax positions which could subject it to penalties, interest or loss of not-for-profit status with any taxing authorities. Therefore no taxes, penalties or interest have been accrued in the accompanying financial statements. The Organization's Form 990, Return of Organization Exempt from Income Taxes, is subject to examination generally for last three open tax years and the current year which include the years ending June 30, 2012, through 2015. For the year ended June 30, 2015, no provision for income taxes has been included in these financial statements.

**Estimates:**

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

**Components of Program and Supporting Services:**

Home ownership program services consist of cost of construction of homes for individuals and families in need, the direct cost associated with planning and building those homes and the related mortgage discounts.

Thrift store program services include revenues generated from sales of donated goods and the expenses associated with maintaining the facilities. The net income generated is used in the acquisition properties and construction of homes.

Management and general services include accounting, executive management and certain administrative and general support services.

**Advertising:**

The Organization expenses advertising costs as they are incurred. Advertising costs incurred for the year ended June 30, 2015 were \$6,443.

**Concentrations:**

The Organization relies on donations of cash and goods for re-sale from individuals, churches and organization's from the New Smyrna Beach and surrounding areas. Two local businesses accounted for pledges receivable and contribution income totaling \$116,000 during the year.

The Organization maintains checking and money market accounts with two banking institutions. These accounts are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2015, the balances in one bank exceeded the FDIC insurance limits by \$146,143.

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015**

**1. Nature of Activities and Summary of Significant Accounting Policies (Con't)**

**Imputed Interest:**

The Organization has entered into financing agreements with Habitat for Humanity International, Inc. in the form of notes payable. These notes payable carry a 0% interest rate and are payable in monthly installments over 48 months starting 12 to 24 months after the funds are received. The imputed value of these funds is based on an estimated market interest rate of 6.9%. The imputed interest is considered a non-cash contribution from Habitat for Humanity International, Inc. The Organization also has a 0% note payable to the Housing Finance Authority of Volusia County, Florida. The imputed interest on this note at 6.9% is also considered a non-cash contribution from the Housing Authority.

**Pledges Receivable:**

Pledges receivable represent local businesses that are participating in the State of Florida Community Contribution Tax Credit Program. Under this program the businesses collect and remit sales tax to the State of Florida and the state sends a portion of their sales tax collections to the designated community organization. For the year ended June 30, 2015, the Organization has been notified that \$116,000 in community tax credits have been approved for payment from two local businesses.

**2. Construction In Progress**

Construction in Progress includes land (at cost) plus materials, permits, and labor costs paid through year end for residences in the affordable housing program.

Construction in Progress at June 30, 2015 consists of:

| <u>Designated Owner or Location</u> | <u>Costs to Date</u> |
|-------------------------------------|----------------------|
| 3020 Lime Tree                      | \$ 109,582           |
| 1416 Travelers Palm                 | 108,114              |
| 500 Duss                            | 80,709               |
| 542 Hamilton Street                 | 20,392               |
| 1055 Walter Street                  | 61,718               |
| 325 Sheldon Street                  | 114,145              |
| 208 Chestnut                        | 11,889               |
| 592 Hamilton                        | 10,672               |
| 37 Sandra Circle                    | 57,652               |
| Total Construction in Progress      | <u>\$ 574,873</u>    |

**3. Mortgages Receivable**

The Organization provides non-interest bearing notes collateralized by mortgages on single-family houses sold to qualified buyers as part of the homeownership program. When the purchase of a home is closed, the Organization computes the net present value of the expected future cash flows of the loan. The difference between the face amount of the loan and the net present value is recorded as a discount and as Assistance to Individuals – Mortgage Discount expense.

These notes are discounted by imputing a rate of interest that is estimated to be the prevailing market rate of interest at the time the loan is closed. Discounts are amortized using the effective interest method over the term of the mortgages. Discount amortization is reported as mortgage discount in the statement of activities.

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**3. Mortgages Receivable (Con't)**

The majority of the mortgages have an original maturity of twenty to thirty years. No allowance for uncollectible accounts is considered necessary due to collateralization of loans by single-family houses. It is expected that the value of the houses is sufficient to adequately collateralize the receivables. For this reason, the amount and impact of impaired loans is not considered material to the financial statements. Future assessment of the allowance for uncollectable mortgages is dependent on the real estate sector of Southeast Volusia County, Florida.

In addition, all homeowners sign a second mortgage with the Organization for the difference between the purchase price and the cost to build the house at the mortgage closing date. The second mortgage is forgiven in a variety of ways, including either on a periodic basis over a period of time, or at the conclusion of the first mortgage. If the homeowner sells the home during the period the second mortgage is being forgiven; the homeowner must pay the difference between the original amount of the second mortgage and the portion forgiven to the Organization. The Organization does not report revenue and a related asset at the time of sale since historical data indicates that the likelihood of future receipts is remote.

Mortgage Notes Receivable and related discounts were as follows at June 30, 2015:

|  |              |
|--|--------------|
| Mortgage Notes Receivable  | \$ 4,929,222 |
| Discount on Non-interest Bearing Mortgage Notes at rates ranging from 7.5% to 9.0% | (2,891,972)  |
|  | 2,037,250    |
| Net Present Value  | (230,060)    |
| Less: Current Maturities   | (230,060)    |
| Mortgages Receivable, Long-Term Portion  | \$ 1,807,190 |

**4. Land Held for Future Use**

The Organization holds 70 buildable lots. Land has been recorded at cost at \$1,476,833 less an allowance for the excess of cost over the estimated net realizable value. In prior years, the Organization determined that they could not reasonably expect to sell some of the properties without incurring a loss on the land; therefore, an allowance for the estimated decline in the value of the land was recorded. The allowance at June 30, 2015 of \$272,551 represents the difference between the estimated net realizable value and the cost of those properties. Management's basis for determining the estimated realizable value is the fair market value, based on recent sales or purchases in the area or just value from the Volusia County Property Tax records, if no other verifiable evidence of fair market value is available. The allowance account decreased by approximately \$156,000 for the year ended June 30, 2015 due to the sale of a property that had a significant valuation allowance attached to it.

**5. Leases**

The Organization leases office space under a two year operating lease expiring March 31, 2016. Total rent expense for the year ended June 30, 2015 totaled \$9,000. The rent for the lease period from April 1, 2015 to March 31, 2016 of \$9,000 was paid in advance. Minimum lease payments required under the lease for the year ending June 30, 2016 are \$6,750.

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**6. Property and Equipment**

Property and equipment consists of the following at June 30, 2015:

|                                    |    |              |
|------------------------------------|----|--------------|
| Rental Residence                   | \$ | 122,095      |
| Home Used For Volunteer Dorm       |    | 110,147      |
| Steel Building & Improvements      |    | 152,885      |
| Land                               |    | 259,000      |
| Building and Building Improvements |    | 497,865      |
| Furniture and Fixtures             |    | 9,993        |
| Equipment                          |    | 35,762       |
| Vehicles                           |    | 34,598       |
| Shed & Yard                        |    | 21,466       |
|                                    |    | \$ 1,243,811 |
| Less: Accumulated Depreciation     |    | (297,472)    |
| Net Property and Equipment         |    | \$ 946,339   |

Depreciation Expense for the year ended June 30, 2015 was \$32,160.

The Organization occasionally rents houses on a temporary or transitional basis while homes are being renovated or completed for the owners.

**8. Tithing**

In recognition of and commitment to the global partnership of Habitat for Humanity International, Inc., an affiliate is expected to contribute (tithe) at least 10% of its cash contributions (excluding cash restricted to local use only) to Habitat's international work. This is a voluntary contribution as opposed to affiliate dues. During the year ended June 30, 2015, the Organization tithed \$36,000.

**9. Supplemental Disclosure of Cash Flow Information**

Cash paid during the year ended June 30, 2015 for:

|              |         |
|--------------|---------|
| Interest     | \$8,102 |
| Income taxes | \$ -    |

Non-cash investing and financing activities:

Inventory-land with a cost of \$142,352 was transferred to construction in progress.  
Construction in process of \$110,146 from prior year was transferred to property and equipment.  
Non-cash contributions in the form of imputed interest expense (fair value \$7,478).  
Non-cash financing for purchase of land inventory was \$231,000.

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**10. Long-Term Debt**

Long-Term Debt at June 30, 2015 consists of:

|  |            |
|--|------------|
| Note Payable to a financial institution, payable in monthly installments of \$125, 0% interest, matures February, 2016, secured by real estate.  | 1,625      |
| Note Payable to Habitat for Humanity payable in 48 monthly installments of \$781, 0% interest, starting January, 2012,   | 4,698      |
| Note Payable to Habitat for Humanity payable in 48 monthly installments of \$78, 0% interest, starting January 1, 2014.  | 2,346      |
| Note Payable to Habitat for Humanity payable in 48 monthly installments of \$624, 0% interest, starting January 2014.  | 16,422     |
| Note Payable to Housing Finance Authority of Volusia County, Inc., 0% interest, principal balance due December 20, 2017  | 53,000     |
| Note Payable to Habitat for Humanity payable in 48 monthly installments of \$209, 0% interest, starting January 2015.  | 12,980     |
| Note Payable to Habitat for Humanity payable in 48 monthly installments of \$218, 0% interest, starting July 1, 2015.  | 10,500     |
| Note Payable to a financial institution, payable in monthly installments of \$2,430, 4.75% interest, secured by real estate with carrying value of \$460,679, principal balloon payment of \$172,854, due September 5, 2017. | 217,235    |
| Total  | \$ 318,806 |
| Less Current Maturities  | (41,024)   |
| Long-term Debt, Less Current Maturities  | \$ 277,782 |

Maturities of long-term debt are as follows for the years ending June 30:

|       |    |         |
|-------|----|---------|
| 2016  | \$ | 41,024  |
| 2017  |    | 33,540  |
| 2018  |    | 241,054 |
| 2019  |    | 3,188   |
| 2020  |    | -       |
| Total | \$ | 318,806 |

Interest imputed on 0% loans, but not paid was \$7,478.

**SOUTHEAST VOLUSIA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets were released from restrictions by satisfying the restrictions as follows:

|   |                   |
|---|-------------------|
| Purpose restriction met:  |                   |
| Contribution received Mortgage Settlement Funds Program           | \$ 360,000        |
| Time restriction met:   |                   |
| Contributions received under the Florida Sales Tax Credit Program | 155,000           |
| Total net assets released from restrictions                       | <u>\$ 515,000</u> |

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2015.

|  |                   |
|--|-------------------|
| Contributions receivable under the Florida Sales Tax Credit Program (to be used for construction costs for low income housing) | \$ 116,000        |
| Total Temporarily Restricted Net Assets  | <u>\$ 116,000</u> |

**10. Government Grants**

During the year the Organization received funding under the following governmental program:

|  |                  |
|--|------------------|
| U.S. Department of Housing and Urban Development Pass-through<br>County of Volusia, HOME Investment Partnerships Program | <u>\$ 46,875</u> |
|--|------------------|

**12. Warranties**

The Organization provides warranties typically for one year after completion of construction of a house. The estimated liability under the warranty provisions is based upon a review of actual historical warranty expense incurred and the risk associated with the houses recently completed. Based on the historical warranty claims and expenses incurred, the Organization believes there are no significant warranty claims to accrue for at June 30, 2015.

**13. Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure through September 15, 2015, which is the date the financial statements are available for issue.