



FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015 AND
INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statement	6 - 8



NEVILLE BREIDENSTEIN WAINIO CPAs

PO BOX 1583
ST. AUGUSTINE, FLORIDA 32085
(904) 586-0048 · NBCPAS.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Putnam County Habitat for Humanity, Inc.
Palatka, Florida

We have audited the accompanying financial statements of the Putnam County Habitat for Humanity, Inc. (the "Organization" a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows 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 the Putnam County 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.

Neville Breidenstein Wainio, CPAs

Saint Augustine, Florida
December 15, 2015

PUTNAM COUNTY HABITAT FOR HUMANITY, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

ASSETS

Cash and cash equivalents	\$	288,488
Land held for future construction		275,417
Mortgage receivable - net (Note 2)		571,407
Beneficial Interest in a life estate - net (Note 3)		33,655
Property and equipment - net (Note 4)		<u>0</u>
Total Assets	\$	<u>1,168,967</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	11,045
Homeowner escrow accounts		11,028
Accrued liabilities and other liabilities		<u>2,135</u>
Total Liabilities		<u>24,208</u>
Net Assets:		
Unrestricted		<u>1,144,759</u>
Total Net Assets		<u>1,144,759</u>
Total Liabilities and Net Assets	\$	<u>1,168,967</u>

See notes to the financial statements.

PUTNAM COUNTY HABITAT FOR HUMANITY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

REVENUES AND OTHER SUPPORT:

Contributions	151,011
Loan discount interest income	42,936
Other income	6,645
Gain on sale of foreclosed home	<u>12,033</u>
Total revenues and other support	<u>212,625</u>

EXPENSES:

Program Services	184,369
Supporting services:	
Administrative and general	19,761
Fundraising	<u>580</u>
Total supporting services	<u>20,341</u>
Total expenses	<u>204,710</u>

CHANGE IN NET ASSETS 7,915

UNRESTRICTED NET ASSETS - BEGINNING OF YEAR 1,136,844

UNRESTRICTED NET ASSETS - END OF YEAR \$ 1,144,759

See notes to the financial statements.

PUTNAM COUNTY HABITAT FOR HUMANITY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>TOTAL</u>
Payroll and related expenses	\$ 64,717	\$ 5,808	\$ 580	\$ 71,105
Mortgage discount	36,927	-	-	36,927
Discount on beneficial interest in a life estate	12,455	-	-	12,455
Professional fees	20,336	1,650	-	21,986
Property taxes	2,856	-	-	2,856
Insurance	3,846	450	-	4,296
Advertising	-	667	-	667
Utilities	-	2,239	-	2,239
Telephone and internet	3,503	230	-	3,733
Office expenses	-	4,861	-	4,861
Travel	-	1,102	-	1,102
Putnam service project repairs	34,799	-	-	34,799
Fans for the elderly	516	-	-	516
Heaters for the elderly	917	-	-	917
Office repairs and maintenance	-	1,687	-	1,687
Other expenses	<u>3,497</u>	<u>1,067</u>	<u>-</u>	<u>4,564</u>
Total expenses	<u>\$ 184,369</u>	<u>\$ 19,761</u>	<u>\$ 580</u>	<u>\$ 204,710</u>

See notes to the financial statements.

PUTNAM COUNTY HABITAT FOR HUMANITY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 7,915
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Notes payable assumed by homeowners	(67,463)
Donated land for future construction	(97,117)
Mortgage discount	36,927
Loan discount interest income	(42,936)
Changes in assets and liabilities:	
Decrease in homes held for sale	52,967
(Increase) in beneficial interest in a life estate	(33,655)
Increase in accounts payable and accrued expenses	11,045
Increase in homeowner escrow accounts	2,297
(Decrease) in accrued expenses and other liabilities	<u>(6,627)</u>
Net Cash (Used) by Operating Activities	<u>(136,647)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Principal collected on notes receivables	72,440
Acquisition costs for land held for construction	<u>(4,053)</u>
Net Cash Provided by Investing Activities	<u>68,387</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(68,260)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

356,748

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 288,488

See notes to the financial statements.

PUTNAM COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Putnam County Habitat for Humanity, Inc. (the "Organization") is a Florida nonprofit corporation incorporated April 17, 1990. The Organization is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization's major revenue sources are home sales, public contributions and fundraising.

Basis of Presentation

These financial statements are prepared on the accrual basis of accounting and focus on the Organization's resources and activities as a whole. Net assets, revenues, expenses, distributions, gains, and losses are classified based on the existence or absence of donor-imposed or other external restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets -- Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets -- Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted net assets -- Net assets subject to donor-imposed stipulations that require the funds be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Land held for Future Construction

Land held for future construction includes the cost of land and improvements to land, or, if donated, the approximate value of the land at the date of donation.

Periodically, the Organization reviews the carrying value of purchased or donated land, any records and impairment charges necessary to reflect a decrease in the land's fair value.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing notes, which are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgages have an original maturity of 20 - 25 years. These mortgages have been discounted at various rates ranging from 7.00% to 8.14% based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as interest income over the term of the mortgage. Management has not recorded an allowance for doubtful accounts since the Organization is a secured creditor and the fair market value of the houses generally is in excess of the related mortgage note balances.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. All acquisitions of property and equipment in excess of \$500 and all expenditures for renewals and improvements that materially prolong the useful lives of assets are capitalized.

Homeowner Escrow Accounts

The Organization currently services the mortgages on the homes it sells. Included in assets held in escrow are cash amounts received for insurance, property taxes and termite services on such homes. These cash amounts are recorded as an asset offset by a related liability.

Public Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily 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. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

PUTNAM COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Donated Materials and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Donated services are recognized as contributions and expense in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated goods and services and donated land, included in contributions was \$103,817 for the year ended June 30, 2015.

A substantial number of unpaid volunteers have made significant contributions of their time. The value of this donated times is not reflected in these financial statements, as no objective basis is available to measure the value of such services.

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 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.

Statement of Functional Expenses

The costs of providing program and supporting service activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization evaluates its tax positions for any uncertainties based on the technical merits of the position taken. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities.

Currently, the tax years ended June 30, 2014, 2013 and 2012 are open and subject to examination by the Internal Revenue Service. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

2. MORTGAGE RECEIVABLE

At June 30, 2015, the Organization held forty-one mortgages with homeowners. The mortgages are valued as follows:

Mortgage receivable	\$ 1,220,849
Less: unamortized discount	<u>(649,442)</u>
Present value of mortgage receivable	<u>\$ 571,407</u>

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

2015	\$ 116,267
2016	82,452
2017	81,715
2018	77,127
2019	76,709
Thereafter	<u>786,579</u>
	<u>\$ 1,220,849</u>

3. BENEFICIAL INTEREST IN A LIFE ESTATE

The beneficial interest in a life estate is an irrevocable agreement for a hundred percent (100%) interest in a home currently under construction by the Organization for a married couple. The Organization will obtain title of the home upon the death of the last of the two homeowners. The Organization's interest is measured at the estimated present value of the construction costs based on the future deed transfer, using approved life expectancy tables and a discount rate of 2.00%. The beneficial interest in a life estate is valued at June 30, 2015 as follows:

Construction costs	\$ 46,110
Less: discount on beneficial interest in a life estate	<u>(12,455)</u>
Present value of beneficial interest in a life estate	<u>\$ 33,655</u>

4. PROPERTY AND EQUIPMENT

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

Buildings and improvements	\$ 15,331
Furniture and equipment	<u>4,166</u>
	19,497
Less: Accumulated depreciation	<u>(19,497)</u>
Property and equipment- net	<u>\$ 0</u>

5. CONTINGENCIES

The Organization has secured second mortgages from its homeowners to insure that the program of providing homes to qualified applicants are not prematurely sold due to market conditions. The second mortgages represent the excess of the market value over the original loan amount of each home sold. Should the homeowner payoff the mortgage early or default on the mortgage, the second mortgage would become due.

PUTNAM COUNTY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

6. TRANSACTION WITH AFFILIATE

The Organization remits a portion of its contributions to Habitat International annually. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$222 to Habitat International for the year ended June 30, 2015. This amount is included in program services in the statement of activities.

7. PROGRAM SERVICES

Program services primarily include construction and home repairs, fan and heater drives for the elderly and the clothes and shoes recycle program. Program services also include the servicing of homeowner mortgage accounts and the support of families.

8. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 15, 2015, the date the financial statements were available to be issued.