

Alachua Habitat for Humanity, Inc.

Financial Statements
And
Independent Auditors' Report

June 30, 2014 and 2013

Contents

| | |
|---|------|
| INDEPENDENT AUDITORS' REPORT | 2 |
| FINANCIAL STATEMENTS: | |
| Statements of Financial Position | 3 |
| Statement of Activities - 2014 | 4 |
| Statement of Activities - 2013 | 5 |
| Statements of Cash Flows | 6 |
| Statement of Functional Expenses - 2014 | 7 |
| Statement of Functional Expenses - 2013 | 8 |
| Notes to Financial Statements | 9-15 |

Kattell and Company, P.L.

Serving the Nonprofit Community

808-B NW 16th Street Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Alachua Habitat for Humanity, Inc.

Report on the Financial Statements.

We have audited the accompanying financial statements of Alachua Habitat for Humanity, Inc. (the Corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' Responsibility.

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

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

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

Opinion.

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

Kattell and Company, P.L.

October 23, 2014
Gainesville, Florida

"Not everything that counts can be counted, and not everything that can be counted counts."

-Albert Einstein

Statements of Financial Position
June 30, 2014 and 2013
Alachua Habitat for Humanity, Inc.

| | <u>2014</u> | <u>2013</u> |
|---|----------------------------|----------------------------|
| Assets | | |
| Cash | \$ 227,632 | \$ 352,671 |
| Inventory | 20,500 | 23,400 |
| Accounts Receivable | 7,325 | 7,000 |
| Grants Receivable | 188,433 | 6,250 |
| Deposits – AmeriNational | 68,030 | 78,876 |
| Prepaid Expenses | 3,428 | 4,859 |
| Home Held for Sale | 68,490 | -- |
| Construction in Progress | 322,689 | 223,168 |
| Mortgage Notes Receivable, Net | 1,631,170 | 1,448,008 |
| Property and Equipment, Net | 329,524 | 337,585 |
| Land Held for Future Use | <u>140,291</u> | <u>529,522</u> |
| Total Assets | <u>\$ 3,007,512</u> | <u>\$ 3,011,339</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Line of Credit | \$ 34,000 | \$ 46,212 |
| Accounts Payable | 18,011 | 15,276 |
| Accrued Expenses | 20,978 | 15,956 |
| Deposits Held | 5,862 | 5,672 |
| Mortgage Escrow | <u>67,426</u> | <u>78,411</u> |
| Total Liabilities | 146,277 | 161,527 |
| Net Assets: | | |
| Unrestricted | 2,789,762 | 2,635,942 |
| Temporarily Restricted | <u>71,473</u> | <u>213,870</u> |
| Total Net Assets | <u>2,861,235</u> | <u>2,849,812</u> |
| Total Liabilities and Net Assets | <u>\$ 3,007,512</u> | <u>\$ 3,011,339</u> |

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2014
Alachua Habitat for Humanity, Inc.

| | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|---------------------------|---------------------|
| Support and Revenue: | | | |
| Contributions: | | | |
| Individuals | \$ 42,001 | \$ -- | \$ 42,001 |
| Businesses | 30,338 | 31,456 | 61,794 |
| Foundations | -- | 23,440 | 23,440 |
| Churches | -- | 17,015 | 17,015 |
| Women's Build | -- | 22,438 | 22,438 |
| United Way | 42,508 | -- | 42,508 |
| Signature Event | 55,863 | -- | 55,863 |
| In Kind – Land & Homes | 210,400 | -- | 210,400 |
| Other | 30,240 | -- | 30,240 |
| Interest Income | 96,539 | -- | 96,539 |
| Government Grants: | | | |
| CDBG – HOME | 15,975 | -- | 15,975 |
| Capacity Building | 21,150 | -- | 21,150 |
| SHIP | 40,000 | -- | 40,000 |
| National Mortgage Settlement Grant | 285,203 | -- | 285,203 |
| Sales – Resale Center | 315,922 | -- | 315,922 |
| Sale of Homes | 427,850 | -- | 427,850 |
| Other Support and Revenue | 46,587 | -- | 46,587 |
| Satisfaction of Program Restrictions | 236,746 | (236,746) | -- |
| Total Support and Revenue | 1,897,323 | (142,397) | 1,754,925 |
| Expenses: | | | |
| Program: | | | |
| ReStore | 311,843 | -- | 311,843 |
| Home Ownership | 896,892 | -- | 896,892 |
| Management and General | 86,339 | -- | 86,339 |
| Fundraising | 86,441 | -- | 86,441 |
| Total Expenses | 1,381,515 | -- | 1,381,515 |
| Excess Revenues over Expenses | 515,807 | (142,397) | 373,410 |
| Gain on Sale of Asset | 50,835 | -- | 50,835 |
| Loss on Value of Land | (412,822) | -- | (412,822) |
| Change in Net Assets | 153,820 | (142,387) | 11,423 |
| Net Assets, Beginning of Year | 2,635,942 | 213,870 | 2,849,812 |
| Net Assets, End of Year | \$ 2,789,762 | \$ 71,473 | \$ 2,861,235 |

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2013
Alachua Habitat for Humanity, Inc.

| | Unrestricted | Temporarily Restricted | Total |
|---|----------------------------|---------------------------|----------------------------|
| Support and Revenue: | | | |
| Contributions: | | | |
| Individuals | \$ 33,945 | \$ 75,000 | \$ 108,945 |
| Businesses | 31,715 | 72,685 | 104,400 |
| Foundations | 61,915 | 5,305 | 67,220 |
| Churches | -- | 43,921 | 43,921 |
| Women's Build | -- | 22,411 | 22,411 |
| United Way | 37,737 | -- | 37,737 |
| Signature Event | 28,766 | -- | 28,766 |
| In Kind – Land & Equipment | 12,000 | -- | 12,000 |
| In Kind – Supplies | 7,415 | -- | 7,415 |
| Other | 13,389 | -- | 13,389 |
| Interest Income | 95,019 | -- | 95,019 |
| Government Grants: | | | |
| CDBG – HOME | 3,168 | -- | 3,168 |
| Capacity Building | 23,292 | -- | 23,292 |
| Sales – Resale Center | 365,480 | -- | 365,480 |
| Sale of Homes | 302,648 | -- | 302,648 |
| Other Support and Revenue | 24,508 | -- | 24,508 |
| Satisfaction of Program Restrictions | <u>55,565</u> | <u>(55,565)</u> | <u>--</u> |
| Total Support and Revenue | <u>1,096,562</u> | <u>163,757</u> | <u>1,260,319</u> |
| Expenses: | | | |
| Program: | | | |
| ReStore | 265,756 | -- | 265,756 |
| Home Ownership | 591,459 | -- | 591,459 |
| Management and General | 123,914 | -- | 123,914 |
| Fundraising | <u>73,525</u> | <u>--</u> | <u>73,525</u> |
| Total Expenses | <u>1,054,654</u> | <u>--</u> | <u>1,054,654</u> |
| Change in Net Assets | 41,908 | 163,757 | 205,665 |
| Net Assets, Beginning of Year | <u>2,594,034</u> | <u>50,113</u> | <u>2,644,147</u> |
| Net Assets, End of Year | <u>\$ 2,635,942</u> | <u>\$ 213,870</u> | <u>\$ 2,849,812</u> |

See accompanying notes.

Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013
Alachua Habitat for Humanity, Inc.

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities: | | |
| Change in Net Assets | \$ 11,423 | \$ 205,665 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Donated Land Held for Future Use | (40,700) | (12,000) |
| Cost of Land Sold | 28,000 | -- |
| Depreciation | 13,637 | 13,897 |
| Loss on Value of Land | 412,822 | -- |
| Changes in: | | |
| Inventory – Resale Center | 2,900 | (5,400) |
| Accounts Receivable | (325) | 3,183 |
| Grant Receivable | (182,183) | (4,674) |
| Deposits – Amerinational | 10,846 | (78,411) |
| Prepaid Expenses | 1,431 | (4,859) |
| Construction in Progress | (129,399) | 31,473 |
| Mortgage Notes Receivable | (183,162) | (1,241) |
| Home Held for Sale | (38,612) | -- |
| Accounts Payable | 2,735 | 14,120 |
| Accrued Expenses | 5,022 | 281 |
| Deposits Held | 190 | 3,002 |
| Mortgage Escrow Funds Held | (10,985) | (17,162) |
| Net Cash Provided by Operating Activities | (96,360) | 147,874 |
| Cash Flows From Investing Activities: | | |
| Purchases of Fixed Assets | (5,576) | (6,100) |
| Sale of Land Held for Future Use | -- | 5,200 |
| Purchase of Land Held for Future Use | (10,891) | -- |
| Cash Flows From Investing Activities | (16,467) | (900) |
| Cash Flows From Financing Activities: | | |
| Payments on Line of Credit | (152,212) | (32,788) |
| Borrowings Under Line of Credit | 140,000 | -- |
| Net Cash Used in Financing Activities | (12,212) | (32,788) |
| Net Change in Cash | (125,039) | 114,186 |
| Cash, Beginning of Year | 352,671 | 238,485 |
| Cash, End of Year | \$ 227,632 | \$ 352,671 |

Supplemental Disclosures

| | | |
|------------------------|-----------------|-----------------|
| Cash Paid for Interest | <u>\$ 3,120</u> | <u>\$ 3,349</u> |
|------------------------|-----------------|-----------------|

See accompanying notes.

Statement of Functional Expenses
For the Year Ended June 30, 2014
Alachua Habitat for Humanity, Inc.

| | Program Services | | Supporting Activities | | Total |
|-----------------------------------|-------------------|-------------------|------------------------|------------------|--------------------|
| | ReStore | Home Ownership | Management and General | Fundraising | |
| Salaries and Benefits | \$ 218,399 | \$ 180,417 | \$ 52,226 | \$ 23,738 | \$ 474,780 |
| Advertising | 2,532 | -- | -- | -- | 2,532 |
| Automobile Expenses | 12,018 | 7,669 | 3,095 | 532 | 23,314 |
| Supplies & Equipment | 11,210 | 17,314 | 699 | 19,377 | 48,600 |
| Bad Debt Expense | -- | -- | -- | -- | -- |
| Bank/Credit Card Fees | 4,836 | -- | 235 | -- | 5,071 |
| Insurance | 9,862 | 20,673 | 2,360 | 393 | 33,288 |
| Repairs & Maintenance | 3,564 | 2,881 | 455 | 682 | 7,582 |
| Office Expenses | 3,752 | 12,387 | 897 | 1,099 | 18,135 |
| Occupancy | 29,798 | 11,606 | 3,998 | 2,269 | 47,671 |
| Cost of Homes Sold | -- | 382,725 | -- | -- | 382,725 |
| Cost of Rehabilitation | -- | 80,579 | -- | -- | 80,579 |
| Credit Checks | -- | 529 | -- | -- | 529 |
| Community Awareness | -- | 861 | -- | -- | 861 |
| Payments to Affiliates | -- | 844 | 2,710 | -- | 3,554 |
| Professional Services | 3,200 | 8,875 | 11,100 | 12 | 23,187 |
| Mortgage Servicing Fees | -- | 11,643 | -- | -- | 11,643 |
| Printing & Duplication | 645 | 1,364 | 42 | 8,448 | 10,499 |
| Penalties & Fees | -- | -- | 304 | -- | 304 |
| Postage & Shipping | 974 | 788 | 124 | 187 | 2,073 |
| Meeting Expenses | -- | 1,520 | 2,546 | 179 | 4,245 |
| Training Expenses | -- | -- | 1,610 | -- | 1,610 |
| Interest Expense | -- | -- | 3,120 | -- | 3,120 |
| Depreciation | 6,409 | 5,182 | 818 | 1,228 | 13,637 |
| Grants/Assistance to Individuals- | | | | | |
| Mortgage Discount | -- | 149,035 | -- | -- | 149,035 |
| Specific Assistance | -- | -- | -- | -- | -- |
| Miscellaneous | 4,644 | -- | -- | -- | 4,644 |
| Signature Event Expenses | -- | -- | -- | 28,297 | 28,297 |
| Total Expenses | \$ 311,843 | \$ 896,892 | \$ 86,339 | \$ 86,441 | \$1,381,515 |

See accompanying notes.

Statement of Functional Expenses
For the Year Ended June 30, 2013
Alachua Habitat for Humanity, Inc.

| | Program Services | | Supporting Activities | | Total |
|-----------------------------------|-------------------|-------------------|------------------------|------------------|--------------------|
| | ReStore | Home Ownership | Management and General | Fundraising | |
| Salaries and Benefits | \$ 170,989 | \$ 133,455 | \$ 62,557 | \$ 50,045 | \$ 417,046 |
| Advertising | 7,747 | -- | 642 | -- | 8,389 |
| Automobile Expenses | 10,764 | 2,706 | 3,181 | -- | 16,651 |
| Supplies & Equipment | 9,462 | 7,385 | 3,462 | 2,770 | 23,079 |
| Bad Debt Expense | -- | 15,668 | -- | -- | 15,668 |
| Bank/Credit Card Fees | 5,705 | -- | 196 | -- | 5,901 |
| Insurance | 9,435 | 7,364 | 3,452 | 2,760 | 23,011 |
| Repairs & Maintenance | 9,429 | 7,359 | 3,450 | 2,760 | 22,998 |
| Office Expenses | 3,691 | 2,881 | 8,406 | 1,080 | 16,058 |
| Occupancy | 25,356 | 1,260 | 14,664 | -- | 41,280 |
| Cost of Homes Sold | -- | 248,743 | -- | -- | 248,743 |
| Credit Checks | -- | 613 | -- | -- | 613 |
| Community Awareness | -- | 90 | -- | -- | 90 |
| Payments to Affiliates | -- | 5,221 | 1,687 | -- | 6,908 |
| Professional Services | 3,463 | 2,788 | 8,900 | -- | 15,151 |
| Mortgage Servicing Fees | -- | 15,189 | -- | -- | 15,189 |
| Printing & Duplication | -- | -- | 40 | 6,539 | 6,579 |
| Penalties & Fees | -- | -- | 31 | -- | 31 |
| Postage & Shipping | 1,089 | 850 | 398 | 318 | 2,655 |
| Meeting Expenses | -- | 2,711 | 2,056 | 910 | 5,677 |
| Training Expenses | -- | 250 | 5,358 | 142 | 5,750 |
| Interest Expense | -- | -- | 3,349 | -- | 3,349 |
| Depreciation | 5,698 | 4,447 | 2,085 | 1,667 | 13,897 |
| Grants/Assistance to Individuals- | | | | | |
| Mortgage Discount | -- | 127,629 | -- | -- | 127,629 |
| Specific Assistance | -- | 4,850 | -- | -- | 4,850 |
| Miscellaneous | 2,928 | -- | -- | -- | 2,928 |
| Signature Event Expenses | -- | -- | -- | 4,534 | 4,534 |
| Total Expenses | \$ 265,756 | \$ 591,459 | \$ 123,914 | \$ 73,525 | \$1,054,654 |

See accompanying notes.

Notes to Financial Statements
June 30, 2014 and 2013
Alachua Habitat for Humanity, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Alachua Habitat for Humanity, Inc. (the Corporation), a not-for-profit corporation, provides affordable housing to low-income families in the Alachua County area. Qualified families have demonstrated need, an ability to repay an interest-free mortgage, character, and willingness to volunteer 400 hours of their time. The Corporation also has a resale center which sells donated items to the public.

Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Corporation qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Corporation is operated exclusively for charitable, scientific and educational purposes. The Corporation holds no uncertain tax positions and, therefore, has no policy for evaluating them. The Corporation's Form 990, *Return of Organization Exempt from Income Taxes*, is subject to examination by the IRS, generally for three years after the date filed.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with standards applicable to voluntary health and welfare organizations.

Use of 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 reported period. Actual results could differ from those estimates.

Cash

The Corporation considers all checking and savings accounts to be cash. The Corporation had \$0 and \$74,214 of deposits in excess of amounts insured by the Federal Deposit Insurance Corporation at June 30, 2014 and June 30, 2013, respectively.

Inventory – Resale Center

All items sold in the resale center are donated to the Corporation. Donated items are valued at their fair value at the time of contribution and are typically sold or otherwise disposed of shortly after being donated.

Construction in Progress

Construction in progress consists of the accumulated costs of and the estimated fair value of materials contributed to the construction of single-family houses. The single-family homes will be sold to qualified persons as part of the Corporation's home ownership program.

Land Held for Future Use

Land held for future use is comprised of purchased and contributed lots held for future development or sale to qualified persons. Additionally, land held for future use represents development costs incurred for infrastructure for the Celebration Oaks residential subdivision in Alachua County. The lots owned by the Corporation will be used to build single-family houses for qualified persons.

Notes to Financial Statements
June 30, 2014 and 2013
Alachua Habitat for Humanity, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment are valued at cost when purchased, or at fair value at the time of donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis. Estimated useful lives range from three to seven years for equipment and thirty years for buildings. The Corporation's policy is to capitalize items with a cost or estimated fair value greater than \$1,000.

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is measured by comparing the carrying amount of the asset to the sum of expected future cash flows (undiscounted and without interest charges) resulting from use of the asset and its eventual disposition.

Advertising

The Corporation expenses advertising costs as they are incurred.

Concentration

The Corporation relies heavily on donations from individuals, churches, and organizations from the North Central Florida area.

Net Assets

The Corporation's net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes:

Permanently Restricted – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions, which do not expire by passage of time or cannot be fulfilled by actions of the Corporation. The Corporation does not have any permanently restricted net assets.

Temporarily Restricted – Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions, which expire by passage of time or are fulfilled by actions of the Corporation.

Unrestricted – Those net assets that are neither permanently or temporarily restricted.

Revenue Recognition

Contributions. Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions are recorded at their estimated fair values. The Corporation 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 as net assets released from restrictions. However, contributions that are restricted by a donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the contributions are recognized.

Contributed Services. Contributions of services are recognized when received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Notes to Financial Statements
June 30, 2014 and 2013
Achua Habitat for Humanity, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Revenue Recognition (continued)

Government Grants – Government grants consist primarily of a cost reimbursement contract. Revenues are recognized when the Corporation incurs allowable costs. The Corporation reports grants receivable to the extent that funding is received after allowable costs are incurred.

Donated Materials – Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt.

Inventory – Resale Center – The Corporation operates a thrift shop where donated household furniture, clothing and other goods are held for resale. Items donated are reflected as resale center sales in the statement of activities or as inventory on the statement of financial position.

Imputed Interest on Mortgages – The Corporation sells the homes it builds and takes a mortgage note receivable with zero percent interest. The Corporation imputes interest at a market rate by computing a discount on the note when signed. As payments are received, a portion of the payment is credited to interest income using the effective interest method of discount amortization.

Functional Expenses

Direct expenses are assigned to the various functional categories based on the purpose achieved by each expense. Indirect expenses are allocated to more than one functional category in accordance with an estimate of the relative benefit received by the expenses. Indirect expenses consist mainly of certain personnel and occupancy costs. Expenses are classified in the following functional categories:

ReStore. The Corporation owns and operates a resale store, which provides discounted building supplies and furnishings to low income families to enable them to better maintain their homes. This operation provides a vehicle for accepting, distributing and selling donated goods. Also, revenue from the store generates financial resources for funding programs.

Home Ownership – The Corporation builds new homes that are made available for sale to eligible home buyers. The Corporation facilitates a loan program that is available to eligible home buyers to finance the purchase of their home.

Management and General – These expenses include the costs of operations which do not relate specifically to other functional categories, but benefit all functions indirectly.

Fundraising – These expenses include the costs of fundraising efforts.

NOTE 2 – MORTGAGE ESCROW DEPOSITS

In September 2012, the Corporation contracted with AmeriNational to service its mortgages. Under the agreement, AmeriNational collects mortgage payments and administers the escrow funds on behalf of the Corporation. The amount held by AmeriNational is reported as Deposits – AmeriNational on the Statements of Financial Position. The amount held on behalf of mortgagors is reported as Mortgage Escrow on the Statements of Financial Position.

Notes to Financial Statements
June 30, 2014 and 2013
Alachua Habitat for Humanity, Inc.

NOTE 3 – INVESTMENT PROPERTIES

The Corporation's home ownership program includes the acquisition and development of properties. The following represents the Corporation's investment in these properties:

| | 2014 | 2013 |
|--------------------------------|------------|------------|
| Construction in Progress | \$ 352,567 | \$ 223,168 |
| Purchased Land Parcels | \$ 28,691 | \$ 350,418 |
| Donated Land Parcels | 89,600 | 179,104 |
| Total Land Held for Future Use | \$ 118,291 | \$ 529,522 |

Construction in Progress – Includes the construction costs of ten properties at June 30, 2013 and six properties at June 30, 2014.

Purchased Land – Includes the costs incurred to purchase the parcels of land for 2013. The amounts for 2014 are based on an estimate of fair value after a one-time impairment adjustment.

Donated Land – Includes the fair market value of donated parcels as measured on the date of donation for 2013. The amounts for 2014 are based on an estimate of fair value after a one-time impairment adjustment.

During 2014, the Corporation determined that the Land Held for Future Use will not be recoverable at recorded amounts and recognized a permanent impairment to both Purchased Land and Donated Land. The properties were adjusted to the fair market values as determined by the Alachua County Property Appraiser.

NOTE 4 – MORTGAGE NOTES RECEIVABLE

The Corporation provides interest-free mortgage loans on single-family houses that are sold to qualified buyers as part of the Home Ownership program. When the purchase of a home is closed, the Corporation 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 Grants/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 Interest Income in the Statement of Activities.

The majority of the mortgages have an original maturity of twenty to thirty years, although some are longer. No allowance for uncollectible accounts is considered necessary due to collateralization of loans by single-family houses. Management estimates 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 assessments of the allowance for uncollectible loans is dependent on the real estate sector of Alachua County, Florida.

In addition, at the closing date, all homebuyers sign a second mortgage with the Corporation for the difference between the market value and the purchase price (the Corporation sells its homes at its cost, not to exceed market value).

Notes to Financial Statements
June 30, 2014 and 2013
Achua Habitat for Humanity, Inc.

NOTE 4 – MORTGAGE NOTES RECEIVABLE (concluded)

As a result, the purchase price is always equal to or less than market value. As a result, the purchase price is always equal to or less than market value.) 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 Corporation. The Corporation does not report revenue and a related asset at the time of sale since historical data indicates that the likelihood of future receipts from these second mortgages is remote.

Mortgage notes receivable and the related discounts are as follows:

| | <u>2014</u> | <u>2013</u> |
|---------------------------|----------------------------|----------------------------|
| Mortgage notes receivable | \$ 2,747,300 | \$ 2,511,642 |
| Discount at 6.5% | <u>(1,116,130)</u> | <u>(1,063,634)</u> |
| Net | <u>\$ 1,631,170</u> | <u>\$ 1,448,008</u> |

Changes in the discount are as follows:

| | <u>2014</u> | <u>2013</u> |
|------------------------------|----------------------------|----------------------------|
| Discount, Beginning of Year | \$ 1,063,634 | \$ 1,031,024 |
| Discount on Homes Sold | 149,035 | 127,629 |
| Amortization | <u>(96,539)</u> | <u>(95,019)</u> |
| Discount, End of Year | <u>\$ 1,116,130</u> | <u>\$ 1,063,634</u> |

Mortgages receivable are expected to be received as follows:

| | <u>2014</u> | <u>2013</u> |
|------------------|----------------------------|----------------------------|
| Less than 1 year | \$ 207,226 | \$ 181,288 |
| 1 to 5 years | 870,429 | 760,041 |
| 6 to 10 years | 747,750 | 637,894 |
| 11 to 15 years | 491,758 | 444,724 |
| 16 to 20 years | 265,953 | 281,459 |
| 21 to 25 years | 135,284 | 158,054 |
| 25 to 30 years | <u>28,900</u> | <u>48,182</u> |
| Total | <u>\$ 2,747,300</u> | <u>\$ 2,511,642</u> |

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|--------------------------|--------------------------|
| Land | \$ 45,000 | \$ 45,000 |
| Building and Improvements | 455,141 | 449,565 |
| Furniture, Fixtures, and Equipment | 25,503 | 31,279 |
| Accumulated Depreciation | <u>(196,120)</u> | <u>(188,259)</u> |
| Net Property and Equipment | <u>\$ 329,524</u> | <u>\$ 337,585</u> |

Notes to Financial Statements
June 30, 2014 and 2013
Achua Habitat for Humanity, Inc.

NOTE 6 – LINE OF CREDIT

The Corporation entered into a line of credit agreement with a bank for a maximum amount of \$400,000. Monthly payments of interest are due at a fixed interest rate of 5%. The line of credit expires October 2014. The line of credit is collateralized by the Corporation’s mortgage notes receivable.

NOTE 7 – DEPOSITS HELD

The Corporation collects deposits which are applied towards future home purchases. At June 30, 2014 and 2013, the Corporation held \$5,862 and \$5,672, respectively.

NOTE 8 – HOMES SALES

The Corporation sold five homes during the year ended June 30, 2014 and three during the year ended June 30, 2013. A comparison of sales and cost of sales related to these transactions follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-------------------------|-------------------------|
| Home Sales Revenues | \$ 449,100 | \$ 302,648 |
| Cost of Home Sales | <u>(382,725)</u> | <u>(248,743)</u> |
| Net Gain on Home Sales | <u>\$ 66,375</u> | <u>\$ 53,905</u> |

Sales revenues were comprised of the following:

| | <u>2014</u> | <u>2013</u> |
|-----------------------|--------------------------|--------------------------|
| Mortgage Loans | \$ 409,371 | \$ 278,978 |
| Cash | <u>39,729</u> | <u>23,670</u> |
| Total Proceeds | <u>\$ 449,100</u> | <u>\$ 302,648</u> |

NOTE 9 – DONATED SERVICES

The Corporation received over 22,023 hours in 2014 and 24,470 hours in 2013 of donated services that supported program services, including volunteering in the ReStore and construction of homes. The Corporation also received over 270 hours in 2014 and 240 hours in 2013 of volunteer time from its board members. These donations supported the general and administrative activities of the Corporation. At \$22.55 per hour, this amounts to \$496,619 in 2014 and \$462,238 in 2013 of additional contributions and expenses. This hourly rate is the estimated value per hour of volunteer time for Florida as provided by Independent Sector, www.independentsector.org/volunteer_time.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of donations received where the donors have restricted the gift for the construction costs of a particular house. These amounts are purpose restricted and are expected to be used by the Corporation in the subsequent year.

Notes to Financial Statements
June 30, 2014 and 2013
Alachua Habitat for Humanity, Inc.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Corporation made contributions as a title of \$3,554 and \$6,908 in 2014 and 2013 respectively to Habitat for Humanity International, a worldwide organization with whom the Corporation is affiliated.

The Corporation received grants of \$306,353 from affiliated agencies and executed a note payable of \$7,050 to an affiliate.

NOTE 12 – SUBSEQUENT EVENTS

The Corporation has evaluated events and transactions for potential recognition or disclosure through October 23, 2014, which is the date the financial statements were available to be issued.