



Habitat
for Humanity[®]
of the New River Valley

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

HABITAT FOR HUMANITY OF THE NEW RIVER VALLEY, INC.
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 the Financial Statements	6-10

INDEPENDENT AUDITORS' REPORT

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of the New River Valley, Inc.
Christiansburg, Virginia

We have audited the accompanying financial statements of Habitat for Humanity of the New River Valley, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 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 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 Habitat for Humanity of the New River Valley, Inc., as of June 30, 2014, 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 30, 2014

FINANCIAL STATEMENTS

Habitat for Humanity of the New River Valley, Inc.

Statement of Financial Position
As of June 30, 2014

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 109,119
Mortgages Receivable, current portion	38,344
Utility Deposits	1,549
Prepaid Expenses	<u>3,251</u>

Total Current Assets \$ 152,263

Noncurrent Assets:

Mortgages Receivable, long term portion	\$ 1,012,063
Allowance for Doubtful Accounts	<u>(595,450)</u>

Total Mortgages Receivable, long term portion \$ 416,613

Construction in Progress \$ 90,913

Fixed Assets:

Property, Plant, and Equipment	27,342
Accumulated Depreciation	<u>(12,504)</u>

Net Fixed Assets \$ 14,838

Total Noncurrent Assets \$ 522,364

Total Assets \$ 674,627

Liabilities:

Current Liabilities:

Accounts Payable	\$ 21,328
Payroll Liabilities	8,023
Escrow Deposits	2,127
Notes Payable, current portion	<u>8,223</u>

Total Current Liabilities \$ 39,701

Noncurrent Liabilities:

Notes Payable, long term portion \$ 52,745

Total Noncurrent Liabilities \$ 52,745

Total Liabilities \$ 92,446

Net Assets:

Unrestricted	\$ 547,004
Temporarily Restricted	<u>35,177</u>

Total Net Assets \$ 582,181

Total Liabilities and Net Assets \$ 674,627

The accompanying notes are an integral part of these statements.

Habitat for Humanity of the New River Valley, Inc.

Statement of Activities
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
<i>Support:</i>			
Contributions	\$ 75,675	\$ 5,000	\$ 80,675
Miscellaneous	1,650	-	1,650
Assets released to unrestricted	229	(229)	-
Total Support	<u>\$ 77,554</u>	<u>\$ 4,771</u>	<u>\$ 82,325</u>
<i>Revenue:</i>			
Interest/Dividends	\$ 8	\$ -	\$ 8
Housing Sales	380,552	-	380,552
ReStore Sales	266,013	-	266,013
Total Revenue	<u>\$ 646,573</u>	<u>\$ -</u>	<u>\$ 646,573</u>
Total Support and Revenue	<u>\$ 724,127</u>	<u>\$ 4,771</u>	<u>\$ 728,898</u>
Expenses			
Program Services	\$ 543,237	\$ -	\$ 543,237
Supporting Services:			
Management and General	63,168	-	63,168
Fund Raising	5,867	-	5,867
Total Expenses	<u>\$ 612,272</u>	<u>\$ -</u>	<u>\$ 612,272</u>
Change in Net Assets	\$ 111,855	\$ 4,771	\$ 116,626
Net Assets, Beginning of Year	<u>435,149</u>	<u>30,406</u>	<u>465,555</u>
Net Assets, End of Year	<u>\$ 547,004</u>	<u>\$ 35,177</u>	<u>\$ 582,181</u>

The accompanying notes are an integral part of these statements.

Habitat for Humanity of the New River Valley, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2014

	Program Services			Support Services			Total
	Construction and Program Services	ReStore	Total	Management and General	Fund Raising	Total	
Salaries and Benefits	\$ -	\$ 117,488	\$ 117,488	\$ 39,163	\$ -	\$ 39,163	\$ 156,651
Advertising	-	-	-	-	1,858	1,858	1,858
Insurance	-	-	-	11,165	-	11,165	11,165
Utilities	-	10,405	10,405	3,468	-	3,468	13,873
Repairs and Maintenance	2,238	-	2,238	-	-	-	2,238
Supplies and Equipment	5,336	-	5,336	-	-	-	5,336
Professional Services	14,406	-	14,406	-	-	-	14,406
Rent	-	72,653	72,653	-	-	-	72,653
Dues and Subscriptions	-	-	-	1,164	-	1,164	1,164
Travel	-	-	-	1,990	-	1,990	1,990
Real Estate Taxes	814	-	814	-	-	-	814
Bank Fees	-	-	-	3,718	-	3,718	3,718
Tithe to Habitat	-	-	-	2,500	-	2,500	2,500
Fund Raising	-	-	-	-	4,009	4,009	4,009
Interest Expense	3,255	-	3,255	-	-	-	3,255
Miscellaneous	5,973	-	5,973	-	-	-	5,973
Cost of Houses	307,540	-	307,540	-	-	-	307,540
Depreciation	-	3,129	3,129	-	-	-	3,129
	\$ 339,562	\$ 203,675	\$ 543,237	\$ 63,168	\$ 5,867	\$ 69,035	\$ 612,272

The accompanying notes are an integral part of this statement.

Habitat for Humanity of the New River Valley, Inc.

Statement of Cash Flows
For the Year Ended June 30, 2014

Cash flows provided (used) by operating activities:	
Change in net assets	\$ 116,626
Adjustments to reconcile change in net assets to net cash provided by (used) operating activities:	
Depreciation	3,129
Changes in assets and liabilities:	
(Increase) decrease in mortgages receivable, net	(148,118)
(Increase) decrease in prepaid expenses	(2,180)
(Increase) decrease in construction in progress	250,520
Increase (decrease) in escrow deposits	812
Increase (decrease) in accounts payable	2,817
Increase (decrease) in payroll liabilities	5,266
Increase (decrease) in deferred revenue	(158,399)
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Cash flows provided (used) by operating activities	\$ 70,473
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Cash flows provided (used) by investing activities:	
Purchase of fixed assets	\$ (3,977)
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Cash flows provided (used) by investing activities	\$ (3,977)
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Cash flows provided (used) by financing activities:	
Debt payments-principal	\$ (10,142)
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Cash flows provided (used) by financing activities	\$ (10,142)
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Net increase (decrease) in cash and cash equivalents	\$ 56,354
Cash and cash equivalents, beginning of year	52,765
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Cash and cash equivalents, end of year	\$ 109,119
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Supplemental Disclosure of Cash Flow Information:

Cash paid for interest was \$3,255 during the fiscal year.

The accompanying notes are an integral part of this statement.

Habitat for Humanity of the New River Valley, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES:

Organization and Nature of Activities:

Habitat for Humanity of the New River Valley, Inc., a nonprofit corporation, was chartered in the State of Virginia in 1988. Habitat for Humanity of the New River Valley, Inc. is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian nonprofit 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, Habitat for Humanity of the New River Valley, Inc. is primarily and directly responsible for its own operations.

Habitat for Humanity of the New River Valley, Inc.'s primary program activity is the construction, renovation, sale and financing of houses for individuals in the New River Valley region of Virginia.

Habitat for Humanity of the New River Valley, Inc. also operates a ReStore that sells affordable home building materials and furnishings. Substantially all ReStore inventory is donated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. **Basis of Accounting** - Accrual basis

B. **Financial Statement Presentation**

The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. At June 30, 2014, the Organization had unrestricted net assets of \$547,004.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. At June 30, 2014, the Organization had temporarily restricted net assets of \$35,177 reserved for construction.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. At June 30, 2014, the Organization had no permanently restricted net assets.

C. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Habitat for Humanity of the New River Valley, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid funds with a maturity of three months or less from the date of acquisition to be cash equivalents.

E. Property, Plant and Equipment

Acquisitions of property and equipment are capitalized as assets unless immaterial. Property and equipment are stated at cost or, if donated at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to ten years for furniture and equipment and 40 years for buildings and improvements.

F. Revenue Recognition

The Organization's primary sources of income are contributions and sales. Monies received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Revenues restricted by the donor for specific purposes or designated for future periods are reported as revenues of a restricted fund in the period received or pledged. When temporarily restricted funds have been spent for the purposes designated by the donor or when a stipulated time restriction ends, the restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Organization had temporarily restricted net assets at June 30, 2014 totaling \$35,177.

G. Contributed Equipment, Materials and Services:

Donated equipment, materials and services are recorded at their estimated fair values at the date of receipt, and they are reflected in the financial statements as both in-kind contributions and either assets or expenses, depending on the nature of the contributions. The amount of donated materials was immaterial for the fiscal year ended June 30, 2014 and is not reflected in the financial statements. Habitat also receives certain donated services that are not reflected in the financial statements because they do not meet the criteria for recognition under the applicable accounting standards.

H. Income Taxes:

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has no provision for Federal income taxes in the accompanying financial statements. Open years subject to examination.

Habitat for Humanity of the New River Valley, Inc.
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

I. Functional Allocation of Expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

J. Advertising Expenses:

All advertising costs are expensed during the period in which they are incurred.

NOTE 3 - NOTES PAYABLE:

Details of Notes Payable

Virginia Housing Development Authority loan issued January 1, 2010 in the amount of \$88,760 at 3.00% due in monthly installment of \$480 maturing in 2025.	\$ 51,981
Loan from Duncan Ford Mazda issued May 1, 2013 in the amount of \$13,500 at 10.00% due in monthly installments of \$451.96 maturing in 2016.	<u>8,987</u>
Total Notes Payable	<u>\$ 60,968</u>

(All of the Organization's notes payable are secured by real estate and a van.)

Summary of Notes Payable

<u>Beginning</u> <u>Balance</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
\$ <u>71,110</u>	\$ <u>-</u>	\$ <u>(10,142)</u>	\$ <u>60,968</u>

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Habitat for Humanity of the New River Valley, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - NOTES PAYABLE: (Continued)

Annual Debt Service Requirements to maturity

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 8,223	\$ 2,028
2016	9,039	1,615
2017	4,510	1,249
2018	4,647	1,112
2019	4,789	971
2020-2024	20,658	2,382
2025-2029	9,102	234
	<u>\$ 60,968</u>	<u>\$ 9,591</u>

NOTE 4 - FIXED ASSETS:

As of June 30, 2014, fixed assets consisted of:

	<u>Beginning</u>			<u>Ending</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Property, Plant and Equipment	23,365	3,977	-	27,342
Less: Accumulated Depreciation	(9,375)	(3,129)	-	(12,504)
Net Fixed Assets	<u>\$ 13,990</u>	<u>\$ 848</u>	<u>\$ -</u>	<u>\$ 14,838</u>

NOTE 5 - MORTGAGE NOTES RECEIVABLE:

Habitat for Humanity typically obtains two mortgages on the homes it sells. Both are non-interest bearing. The first mortgage is collectible over terms ranging from 15-30 years, based on the affordability to the homeowner and represents the intended sale price of the home. The second mortgage is put in place primarily to protect the initial equity in the home over and above the sales price and there are contractual provisions to forgive the 2nd mortgage over time if certain conditions are met, subject to approval by the Board. Habitat defers recognition of second mortgage revenue until it is collected. Second mortgages are typically forgiven ratably over terms up to 10 years, and the contractual conditions for forgiveness are generally around timely payments of the first mortgage. If the board does not approve forgiveness of any portion of the second mortgage, that portion is collected at the time that the house is sold or otherwise transacted. Mortgage forgiveness for the year ended June 30, 2014 was \$160,950.

Habitat for Humanity of the New River Valley, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - MORTGAGE NOTES RECEIVABLE: (Continued)

The change in mortgage notes receivable and impaired mortgages for the fiscal year is shown below:

	Mortgage Notes Receivable	Impaired Mortgages
Balance, beginning of year	\$ 784,339	\$ (477,500)
Net change	266,068	(117,950)
Balance, end of year	\$ 1,050,407	\$ (595,450)
Current portion (included above)	\$ 38,344	

NOTE 6 - RISK MANAGEMENT:

The Organization maintains general commercial liability and directors' and officers' liability insurance coverage through Lockton Affinity insurance.

NOTE 7 - SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 3, 2014, the date the financial statements were available to be issued.

At its August 28, 2014 meeting, the Organization's board took action to forgive and write off 2nd mortgage balances in the amount of \$269,700.