

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 (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.

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 auditors' 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 Habitat for Humanity 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 22, 2016

Habitat for Humanity of the New River Valley, Inc.

Statement of Financial Position
As of June 30, 2015

| | |
|--|--------------------------|
| Assets: | |
| <i>Current Assets:</i> | |
| Cash and Cash Equivalents | \$ 91,981 |
| Mortgages Receivable, current portion | 42,492 |
| Utility Deposits | 1,549 |
| Prepaid Expenses | <u>4,287</u> |
| <i>Total Current Assets</i> | <u>\$ 140,309</u> |
| <i>Noncurrent Assets:</i> | |
| Mortgages Receivable, long term portion | \$ 604,954 |
| Allowance for Doubtful Accounts | <u>(272,200)</u> |
| <i>Total Mortgages Receivable, long term portion</i> | <u>\$ 332,754</u> |
| Construction in Progress | <u>\$ 213,351</u> |
| <i>Fixed Assets:</i> | |
| Property, Plant, and Equipment | 47,926 |
| Accumulated Depreciation | <u>(17,140)</u> |
| <i>Net Fixed Assets</i> | <u>\$ 30,786</u> |
| <i>Total Noncurrent Assets</i> | <u>\$ 576,891</u> |
| Total Assets | <u><u>\$ 717,200</u></u> |
| Liabilities: | |
| <i>Current Liabilities:</i> | |
| Accounts Payable | \$ 26,241 |
| Payroll Liabilities | 15,450 |
| Escrow Deposits | 2,258 |
| Notes Payable, current portion | <u>4,377</u> |
| <i>Total Current Liabilities</i> | <u>\$ 48,326</u> |
| <i>Noncurrent Liabilities:</i> | |
| Notes Payable, long term portion | <u>\$ 27,201</u> |
| <i>Total Noncurrent Liabilities</i> | <u>\$ 27,201</u> |
| Total Liabilities | <u>\$ 75,527</u> |
| Net Assets: | |
| Unrestricted | \$ 632,702 |
| Temporarily Restricted | <u>8,971</u> |
| <i>Total Net Assets</i> | <u>\$ 641,673</u> |
| Total Liabilities and Net Assets | <u><u>\$ 717,200</u></u> |

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, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Support, Revenue, and Gain | | | |
| <i>Support:</i> | | | |
| Contributions | \$ 88,460 | \$ 4,200 | \$ 92,660 |
| Contribution of land | 22,999 | - | 22,999 |
| Miscellaneous | 1,877 | - | 1,877 |
| Assets released to unrestricted | 30,406 | (30,406) | - |
| Total Support | \$ 143,742 | \$ (26,206) | \$ 117,536 |
| <i>Revenue and Gain:</i> | | | |
| Interest/Dividends | \$ 10 | \$ - | \$ 10 |
| ReStore Sales | 376,990 | - | 376,990 |
| Gain on foreclosure | 25,930 | - | 25,930 |
| Total Revenue and Gain | \$ 402,930 | \$ - | \$ 402,930 |
| Total Support, Revenue, and Gain | \$ 546,672 | \$ (26,206) | \$ 520,466 |
| Expenses | | | |
| Program Services | \$ 352,472 | \$ - | \$ 352,472 |
| Supporting Services: | | | |
| Management and General | 103,105 | - | 103,105 |
| Fund Raising | 5,397 | - | 5,397 |
| Total Expenses | \$ 460,974 | \$ - | \$ 460,974 |
| Change in Net Assets | \$ 85,698 | \$ (26,206) | \$ 59,492 |
| Net Assets, Beginning of Year | 547,004 | 35,177 | 582,181 |
| Net Assets, End of Year | \$ 632,702 | \$ 8,971 | \$ 641,673 |

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, 2015

| | Program Services | | | Supporting Services | | | Total |
|-------------------------|-----------------------------------|-------------------|-------------------|------------------------|-----------------|-------------------|-------------------|
| | Construction and Program Services | ReStore | Total | Management and General | Fund Raising | Total | |
| Salaries and Benefits | \$ 6,447 | \$ 188,715 | \$ 195,162 | \$ 62,905 | \$ - | \$ 62,905 | \$ 258,067 |
| Advertising | - | - | - | - | 3,356 | 3,356 | 3,356 |
| Insurance | 1,271 | - | 1,271 | 11,818 | - | 11,818 | 13,089 |
| Utilities | - | 12,737 | 12,737 | 4,246 | - | 4,246 | 16,983 |
| Repairs and Maintenance | 3,436 | - | 3,436 | - | - | - | 3,436 |
| Supplies and Equipment | 6,463 | - | 6,463 | - | - | - | 6,463 |
| Professional Services | 16,583 | - | 16,583 | - | - | - | 16,583 |
| Rent | 3,980 | 86,892 | 90,872 | - | - | - | 90,872 |
| Dues and Subscriptions | - | - | - | 686 | - | 686 | 686 |
| Travel | - | - | - | 8,348 | - | 8,348 | 8,348 |
| Real Estate Taxes | 505 | - | 505 | - | - | - | 505 |
| Bank Fees | - | - | - | 5,102 | - | 5,102 | 5,102 |
| Tithe to Habitat | - | - | - | 10,000 | - | 10,000 | 10,000 |
| Fund Raising | - | - | - | - | 2,041 | 2,041 | 2,041 |
| Interest Expense | 1,532 | - | 1,532 | - | - | - | 1,532 |
| Miscellaneous | 16,930 | - | 16,930 | - | - | - | 16,930 |
| Cost of Houses | 1,193 | - | 1,193 | - | - | - | 1,193 |
| Depreciation | 194 | 4,882 | 5,076 | - | - | - | 5,076 |
| Loss on Disposal | 712 | - | 712 | - | - | - | 712 |
| | <u>\$ 59,246</u> | <u>\$ 293,226</u> | <u>\$ 352,472</u> | <u>\$ 103,105</u> | <u>\$ 5,397</u> | <u>\$ 108,502</u> | <u>\$ 460,974</u> |

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, 2015

| | |
|---|-------------------------|
| Cash flows provided by (used for) operating activities: | |
| Change in net assets | \$ 59,492 |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities: | |
| Depreciation | 5,076 |
| (Gain) loss on disposal of assets | 712 |
| In-kind donation of land | (22,999) |
| Changes in assets and liabilities: | |
| (Increase) decrease in mortgages receivable, net | 79,711 |
| (Increase) decrease in prepaid expenses | (1,036) |
| (Increase) decrease in construction in progress | (100,157) |
| Increase (decrease) in escrow deposits | 131 |
| Increase (decrease) in accounts payable | 5,180 |
| Increase (decrease) in payroll liabilities | 7,427 |
| | <hr/> |
| Cash flows provided by (used for) operating activities | \$ <u>33,537</u> |
| Cash flows provided by (used for) investing activities: | |
| Purchase of fixed assets | \$ <u>(21,285)</u> |
| | |
| Cash flows provided by (used for) investing activities | \$ <u>(21,285)</u> |
| Cash flows provided by (used for) financing activities: | |
| Debt payments-principal | \$ <u>(29,390)</u> |
| | |
| Cash flows provided by (used for) financing activities | \$ <u>(29,390)</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (17,138) |
| Cash and cash equivalents, beginning of year | <u>109,119</u> |
| Cash and cash equivalents, end of year | \$ <u><u>91,981</u></u> |

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest was \$1,533 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, 2015

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, 2015, the Organization had unrestricted net assets of \$632,702.

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, 2015, the Organization had temporarily restricted net assets of \$8,971 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, 2015, 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, 2015

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, 2015 totaling \$8,971.

G. Contributed Equipment, Materials and Services:

Donated equipment, materials and services are recorded at their estimated fair values at the date of receipt, and 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, 2015 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, 2015

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. \$ 31,578

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

Summary of Notes Payable

| Beginning Balance | Issuances | Retirements | Ending Balance |
|----------------------|-------------|--------------------|-------------------|
| \$ <u>60,968</u> | \$ <u>-</u> | \$ <u>(29,390)</u> | \$ <u>31,578</u> |

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Habitat for Humanity of the New River Valley, Inc.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 - NOTES PAYABLE: (Continued)

Annual Debt Service Requirements to maturity

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2016 | \$ 4,377 | \$ 1,382 |
| 2017 | 4,510 | 1,249 |
| 2018 | 4,647 | 1,112 |
| 2019 | 4,789 | 971 |
| 2020 | 4,938 | 822 |
| 2021-2025 | <u>8,317</u> | <u>1,791</u> |
| | <u>\$ 31,578</u> | <u>\$ 7,327</u> |

NOTE 4 - FIXED ASSETS:

As of June 30, 2015, fixed assets consisted of:

| | Beginning July 1, 2014 | Additions | Deletions | Ending June 30, 2015 |
|--------------------------------|---------------------------|------------------|-----------------|-------------------------|
| Property, Plant and Equipment | <u>27,792</u> | <u>21,286</u> | <u>(1,152)</u> | <u>47,926</u> |
| Less: Accumulated Depreciation | <u>(12,504)</u> | <u>(5,076)</u> | <u>440</u> | <u>(17,140)</u> |
| Net Fixed Assets | <u>\$ 15,288</u> | <u>\$ 16,210</u> | <u>\$ (712)</u> | <u>\$ 30,786</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, 2015 was \$323,250.

Habitat for Humanity of the New River Valley, Inc.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 5 - MORTGAGE NOTES RECEIVABLE: (Continued)

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

| | Mortgage Notes Receivable | Mortgage Allowance |
|----------------------------------|------------------------------|-----------------------|
| Balance, beginning of year | \$ 1,050,407 | \$ (595,450) |
| Net change | (402,961) | 323,250 |
| Balance, end of year | \$ 647,446 | \$ (272,200) |
| Current portion (included above) | \$ 42,492 | |

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 February 22, 2016, the date the financial statements were available to be issued.

In September 2015, the Organization sold house #35 which had previously been foreclosed on. Since the transaction occurred prior to the completion of the Organization's current year audit, the value of the house was written down as of June 30th to the amount the house was sold for in September 2015.