

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

HABITAT FOR HUMANITY
OF CITRUS COUNTY, INC.

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FRENDEL, BROWN & WEISSMAN LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Citrus County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Citrus County, Inc., a not-for-profit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, 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 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 organization'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 organization'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 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 Citrus County, Inc. as of June 30, 2016 and 2015 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.

Frendel Brown & Weissman LLP
CPAs.

Certified Public Accountants

Orlando, Florida
September 15, 2016

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	As of June 30,	
	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	\$ 824,422	\$ 500,277
Mortgages receivable - net, current portion	262,115	74,321
Other receivables	17,238	23,264
Prepaid expenses	19,758	14,552
Land inventory	615,304	660,008
Homes under construction	93,881	57,640
	<u>1,832,718</u>	<u>1,330,062</u>
NON-CURRENT ASSETS:		
Property and equipment - net	1,532,025	1,068,553
Mortgages receivable - net, non-current portion	3,304,031	2,904,871
	<u>4,836,056</u>	<u>3,973,424</u>
TOTAL ASSETS	<u><u>\$ 6,668,774</u></u>	<u><u>\$ 5,303,486</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 7,831	\$ 6,622
Homeowner escrow	68,674	62,846
Deposits	23,080	17,350
Short-term debt	129,389	123,984
	<u>228,974</u>	<u>210,802</u>
LONG-TERM LIABILITIES:		
Long-term debt	2,065,258	1,784,373
	<u>2,294,232</u>	<u>1,995,175</u>
NET ASSETS - UNRESTRICTED	<u>4,374,542</u>	<u>3,308,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,668,774</u></u>	<u><u>\$ 5,303,486</u></u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	For the Years Ended June 30,	
	<u>2016</u>	<u>2015</u>
UNRESTRICTED SUPPORT:		
Contributions	\$ 1,176,209	\$ 560,310
Grants	653,830	708,399
Contributions in-kind	103,084	148,095
Sales of residences - net	542,212	500,375
Mortgage loan discount amortization	142,009	126,840
Home store sales	1,109,603	1,023,269
Fundraising	55,302	48,844
Sale of land	595,333	-
Rental income - net	20,895	-
Interest income	45	113
Other income	217,603	62,735
	<u>4,616,125</u>	<u>3,178,980</u>
Total unrestricted support		
FUNCTIONAL EXPENSES:		
Program services	2,760,386	1,888,039
Fundraising:		
Home store	653,932	520,381
Other	21,044	13,168
Administrative and general	114,533	88,665
	<u>3,549,895</u>	<u>2,510,253</u>
Total expenses		
Increase in unrestricted net assets	1,066,231	668,727
NET ASSETS - BEGINNING OF YEAR - unrestricted	<u>3,308,311</u>	<u>2,639,584</u>
NET ASSETS - END OF YEAR - unrestricted	<u>\$ 4,374,542</u>	<u>\$ 3,308,311</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Fundraising		Administrative and General	Total
		Home Store	Other		
Advertising and promotional	\$ 1,985	\$ 31,449	\$ -	\$ -	\$ 33,434
Auto and truck	35,336	651	-	-	35,987
Annual audit expense	-	-	-	10,707	10,707
Annual meeting expense	1,212	-	-	-	1,212
Bank charges	37	22,712	-	-	22,749
Construction costs	2,234,065	-	777	3,351	2,238,193
Dues and subscriptions	3,193	-	-	-	3,193
Fundraising	-	-	20,267	-	20,267
Insurance	27,049	34,936	-	1,355	63,340
Interest expense	-	72,428	-	-	72,428
Miscellaneous expense (income)	1,815	(678)	-	-	1,137
Office expense	11,911	23,670	-	4,776	40,357
Payroll taxes	-	34,913	-	-	34,913
Postage and freight	1,850	-	-	-	1,850
Professional fees	186	-	-	17,572	17,758
Public relations	24,484	-	-	-	24,484
Rent, space	-	46,033	-	-	46,033
Repairs and maintenance	2,526	11,835	-	-	14,361
Salaries and wages	336,108	350,619	-	38,516	725,243
Telephone	4,321	6,676	-	-	10,997
Tithe - Habitat International	-	-	-	38,200	38,200
Travel	-	649	-	56	705
Training	12,809	-	-	-	12,809
Utilities	5,739	17,269	-	-	23,008
Volunteer picnic	2,533	770	-	-	3,303
Total functional expenses before depreciation and amortization	2,707,159	653,932	21,044	114,533	3,496,668
Depreciation and amortization	53,227	-	-	-	53,227
TOTAL FUNCTIONAL EXPENSES	\$ 2,760,386	\$ 653,932	\$ 21,044	\$ 114,533	\$ 3,549,895

See independent auditors' report and notes to financial statements.

FRENDEL, BROWN & WEISSMAN LLP
CERTIFIED PUBLIC ACCOUNTANTS

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Fundraising		Administrative and General	Total
		Home Store	Other		
Advertising and promotional	\$ -	\$ 25,777	\$ -	\$ -	\$ 25,777
Auto and truck	32,632	1,554	-	-	34,186
Annual audit expense	-	-	-	10,123	10,123
Annual meeting expense	2,094	-	-	-	2,094
Bank charges	149	19,058	-	-	19,207
Construction costs	1,409,789	180,000	1,349	4,486	1,415,804
Dues and subscriptions	3,271	-	-	-	3,271
Fundraising	-	-	11,819	-	11,819
Insurance	26,211	33,108	-	985	60,304
Interest expense	25,247	26,255	-	-	51,502
Licenses and Permits	113	-	-	-	113
Miscellaneous expense (income)	2,047	(754)	-	1,034	2,327
Office expense	9,192	21,151	-	3,913	34,256
Payroll taxes	23	26,329	-	-	26,352
Postage and freight	2,307	-	-	-	2,307
Professional fees	6,670	-	-	15,575	22,245
Public relations	31,401	-	-	-	31,401
Real estate taxes	-	-	-	3,624	3,624
Rent, space	81	46,272	-	-	46,353
Repairs and maintenance	2,457	10,787	-	-	13,244
Salaries and wages	270,141	289,814	-	28,925	588,880
Telephone	4,130	2,195	-	-	6,325
Tithe - Habitat International	-	-	-	20,000	20,000
Travel	150	587	-	-	737
Training	5,600	-	-	-	5,600
Utilities	7,280	17,904	-	-	25,184
Volunteer picnic	4,962	164	-	-	5,126
Total functional expenses before depreciation and amortization	1,845,947	520,381	13,168	88,665	2,468,161
Depreciation and amortization	42,092	-	-	-	42,092
TOTAL FUNCTIONAL EXPENSES	\$ 1,888,039	\$ 520,381	\$ 13,168	\$ 88,665	\$ 2,510,253

See independent auditors' report and notes to financial statements.

FRENDEL, BROWN & WEISSMAN LLP
CERTIFIED PUBLIC ACCOUNTANTS

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in unrestricted net assets	\$ 1,066,231	\$ 668,727
Adjustments to reconcile increase in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	53,227	42,092
Loss on disposal of fixed assets	(213,834)	(30,913)
Amortization of mortgage discount	(142,009)	(126,840)
New mortgages transferred to owners - net	(669,183)	(424,443)
Donated land	(722,289)	(588,761)
Land used in construction of homes	766,993	269,023
Changes in operating assets and liabilities:		
Decrease (increase) in other receivables	6,026	(23,263)
Increase in prepaid insurance	(5,206)	(1,888)
(Increase) decrease in homes under construction	(36,241)	41,397
Increase (decrease) in accounts payable and accrued expenses	1,208	(30,323)
Increase in homeowner escrow	5,828	4,389
Increase (decrease) in deposits	5,730	(1,700)
Net cash provided by (used in) operating activities	116,481	(202,503)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(302,863)	(88,369)
Payments received on mortgages	224,238	197,378
Net cash (used in) provided by investing activities	(78,625)	109,009
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(193,932)	(45,660)
Proceeds from long-term debt	480,221	387,726
Net cash provided by financing activities	286,289	342,066
Net increase in cash and cash equivalents	324,145	248,572
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	500,277	251,705
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 824,422	\$ 500,277

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 STATEMENT OF CASH FLOWS - Continued

	For the Years Ended June 30,	
	<u>2016</u>	<u>2015</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Non-interest bearing mortgage notes:		
Issuance of non-interest bearing mortgage notes	\$ 1,015,670	\$ 780,403
Discounts on newly issued non-interest bearing mortgage notes	<u>(444,530)</u>	<u>(355,960)</u>
Net non-interest bearing mortgage notes	<u>\$ 571,140</u>	<u>\$ 424,443</u>
Interest paid	<u>\$ 68,385</u>	<u>\$ 61,056</u>

See independent auditors' report and notes to financial statements.

HABITAT FOR HUMANITY
OF CITRUS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Habitat for Humanity of Citrus County, Inc., ("Habitat") is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian not-for-profit organization whose goal is to eliminate poverty housing and homelessness worldwide. Habitat is primarily and directly responsible for its own operations.

To help finance its operations, Habitat operates two home stores which sell household items including appliances, furnishings, and building materials to the general public. The stores are located in Citrus County, Florida.

Income Tax Status

Habitat is a Florida not-for-profit corporation under Section (501(c)(3) of the Internal Revenue Code, that is funded through donations, federal and state grants, corporate sponsorship and other not-for-profit corporations. Under these provisions, no taxes are paid on income received as long as Habitat maintains its tax exempt status. Accordingly, no provision for income taxes is provided in the accompanying financial statements. Although Habitat is exempt from income tax, it may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded under the Code. As of June 30, 2016, Habitat determined that there are no significant, uncertain tax positions within its financial statements.

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), using the accrual basis of accounting.

Basis of Presentation

The classification of Habitat's net assets is based upon the existence or absence of donor-imposed restrictions as follows:

- Unrestricted - Net assets consisting of resources that are neither permanently nor temporarily restricted by donor-imposed restrictions and, therefore, are available for general operations.
- Temporarily Restricted - Net assets resulting from contributions and other inflows of assets limited by donor-imposed restrictions that either expire with a passage of time or can be fulfilled by the actions of Habitat pursuant to those restrictions. When such restrictions end or are fulfilled, such temporarily restricted net assets will be reclassified to unrestricted net assets and will be reported in the accompanying statement of activities as net assets released from restrictions.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

- Permanently Restricted - Net assets resulting from contributions and other inflows of assets limited by donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by Habitat.

There are no temporarily or permanently restricted net assets as of June 30, 2016 or 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Balances may exceed insured amounts at various times during the year.

Accounts Receivable

Accounts receivable are stated at their net uncollected balance at year end. There were no outstanding accounts receivable as of June 30, 2016 and 2015.

Concentrations of Credit Risk

All of Habitat's mortgage loans are to low income individuals and are secured by real estate located in Citrus County, Florida.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages that are secured by real estate and are payable in monthly installments. The mortgages have original maturities of twenty to thirty years and arose in connection with Habitat's homebuilding initiatives in Citrus County, Florida. These receivables have been discounted at rates of 5%. Mortgage loan discount amortization income is recorded using the straight-line method of amortization. These mortgages are secured by the underlying real estate that is located primarily in Citrus County, Florida. Past due and delinquent mortgage loans are assessed at the discretion of the Board of Directors.

Included in mortgages receivable is one interest-bearing mortgage at a rate of 6.025%. The mortgage was entered into on May 15, 2016 with an original balance of \$335,000 and a term of twenty years.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Mortgages Receivable - Continued

Management considers a loan to be delinquent or past due if a borrower fails to make a contractually scheduled principal payment that is over 120 days past due. Habitat's management periodically reviews mortgage balances to determine whether an allowance for bad debts should be established for any amounts determined to be unrecoverable. Factors considered by management include principal, collections experience, collateral value, borrowers' financial conditions, and other factors.

Habitat considers a loan to be impaired when it is "probable" that repayment obligations due according to the contractual terms will not be met. The term "probable" is used consistent with its use in Accounting Standards Codification (ASC) 450. In this instance, the mortgage carrying value is written down, if deemed necessary by management, based on review of collateral and other considerations by management. The receivables are collateralized by mortgage liens on the underlying housing units.

Land Inventory

Inventory consists of residential lots for use in building Habitat homes. Residential lots donated are recorded at assessed value for county tax purposes at time of gift; purchased lots are recorded at cost. Because of the inherent uncertainties of real estate valuation, market value may differ significantly.

Homes Under Construction

Homes under construction consist of building materials and construction costs, excluding labor. Purchased items are recorded at cost; donated items are recorded at fair market value. Costs incurred in conjunction with home construction, excluding labor, are expensed when the home is occupied by the homeowner and title is transferred to the homeowner.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of receipt. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Maintenance and repairs are charged to expense as incurred, while renewals and betterments are capitalized. Gains and losses on sales are credited or charged to operations in the year of sale. Depreciation expense is calculated using the straight line method over estimated useful lives, ranging from five to seven years on equipment, and thirty-nine years on commercial real estate and leasehold improvements.

Homeowner Escrow

Homeowner escrow consists of amounts collected from homeowners on a monthly basis for property taxes, hazard insurance premiums, and termite bonds. These funds are collected to protect Habitat's interest in the underlying property and are disbursed in a manner that ensures the maximum tax discount available is obtained for property taxes and that insurance coverage and termite protection does not lapse.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits

Deposits consist of down payments made by future homeowners. The deposits are held until the date of closing, at which time they are applied to the closing costs of the home. Deposits are refunded if the Habitat program is not successfully completed.

Contributed Goods and Services

Habitat records the fair value of donated goods when there is an objective basis available to measure their value as contributions in-kind in the accompanying statements of activities. Habitat does not record the fair value of donated building supplies and materials that are subsequently sold in the home store. These items are recorded as revenue, as the items are sold to the public.

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill.

However, other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased if not provided by donations, are recognized as revenue and expense.

Sales of Residences

Sales of residences represent the sale of houses built by Habitat. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount used for mortgages closed during the years ended June 30, 2016 and 2015 was 5%. The sales to homeowners presented in the statements of activities are net of this discount for the years ended June 30, 2016 and 2015. The discount was \$409,708 and \$355,960, respectively.

Construction Costs

Construction costs include the cost of land sold, construction materials for homes sold, supplies, title search costs, and recording fees.

Revenue Recognition

Contributions and unconditional promises to give are recorded as revenue when received. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend have been substantially met. Other unrestricted revenue, support, and gains are recorded as income when earned or realized.

Contributions that are restricted by a donor for a specific purpose or specified time period are recorded upon receipt as temporarily restricted net assets and reclassified to unrestricted net assets upon expenditure of the funds, based on the restricted purpose and/or the lapsing of the specified time period.

Contributions that are permanently restricted by donors for use as endowments are invested in perpetuity. The income is used for operating purposes when expenditures satisfy the donor's restrictions, if any, and such amounts are appropriated for expenditure. Income amounts that exceed related expenditures and appropriations remain as temporarily restricted net assets.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016 AND 2015

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Allocations

The costs of various programs and activities have been summarized on a functional basis in the statements of activities. Within each group, transactions are recorded in specific expense categories and apportioned, when applicable, among the programs and supporting services benefitted.

Fair Value of Financial Instruments

Habitat's financial instruments include cash, mortgages receivable, accounts payable, line of credit, and a note payable. The carrying values of these financial instruments approximate their fair values at June 30, 2016 and 2015.

Advertising Costs

It is the policy of the organization to expense advertising costs when incurred. For the years ended June 30, 2016 and 2015, advertising costs were \$33,434 and \$25,777, respectively.

NOTE 2 - MORTGAGES RECEIVABLE - Net

Mortgages receivable consist of the following:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
Mortgages receivable at face value	\$ 5,837,933	\$ 5,121,355
Less: Unamortized discount	<u>(2,271,787)</u>	<u>(2,142,163)</u>
Mortgages receivable, net	<u>\$ 3,566,146</u>	<u>\$ 2,979,192</u>
Current portion of mortgages receivable	\$ 262,115	\$ 74,321
Non-current portion of mortgages receivable	<u>3,304,031</u>	<u>2,904,871</u>
TOTAL	<u>\$ 3,566,146</u>	<u>\$ 2,979,192</u>

Habitat holds a "silent second" mortgage on each completed home. The second mortgage notes will become payable if, prior to the expiration of twenty to thirty years from the date of its making, the maker transfers, sells, refinances or assigns the maker's right, title, or interest in and to the real property securing the second mortgage or ceases to occupy the real property as the maker's principal residence, in which case it will become immediately due and payable; without notice. No value has been recorded in these financial statements for these notes. For the years ended June 30, 2016 and 2015, the value of the silent mortgages was \$3,054,276 net of accumulated forgiveness of \$843,101 and \$3,048,276 net of accumulated forgiveness of \$735,887, respectively.

Included in other income in the statements of activities is a gain from the write-off of mortgage discounts from foreclosed homes of approximately \$214,000 and \$31,000 for the years ended June 30, 2016 and 2015, respectively.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016 AND 2015

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
Vehicles, home store	\$ 86,288	\$ 72,836
Equipment, home store	19,573	17,296
Improvements, home store	297,094	160,423
Building, home store	350,882	350,882
Land, home store	758,782	269,118
Building, rental property	137,025	267,640
Vehicles, construction	31,562	35,110
Equipment	<u>65,323</u>	<u>56,524</u>
	1,746,529	1,229,829
Less: accumulated depreciation and amortization	<u>(214,504)</u>	<u>(161,276)</u>
	<u>\$1,532,025</u>	<u>\$ 1,068,553</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$53,227 and \$42,092 respectively.

NOTE 4 - LONG-TERM DEBT

Long-term debt was comprised of the following:

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
1) Note payable to a bank, secured by personal property, 6.75% interest, monthly payments of \$630 (principal and interest), matured January 10, 2015	\$ -	\$ 4
2) Note payable to a bank, secured by personal property, 5% interest, monthly payments of \$377 (principal and interest), matures May 12, 2018	7,943	11,949
3) Mortgage payable to a bank, secured by real property and mortgages receivable, 4.5% interest, interest only payments of \$3,592 to April 13, 2015, then monthly principal and interest payments of \$8,616.14, matures March 13, 2034. (Additional \$0 and \$435,000 available in 2016 and 2015)	1,350,414	975,220

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016 AND 2015

NOTE 4 - LONG-TERM DEBT - Continued

4) Note payable to a bank, secured by real property and mortgages receivable, 4.25% interest, monthly payments of \$3,866 (principal and interest), matures March 13, 2034	\$ 574,972	\$ 596,042
5) Florida Housing Finance Corporation, subordinate mortgage, 1% interest (non-amortizing), matures on earlier of closing of first source of permanent or construction loan or closing of tax credit partnership and receipt of initial disbursement, or December 23, 2017. No principal or interest due until maturity date	232,568	325,142
6) Habitat for Humanity International, SHOP loan, non-interest bearing, due in 94 installments of \$598. First payment due January 1, 2018	<u>28,750</u>	<u>-</u>
Total	2,194,647	1,908,357
Less current portion	<u>(129,389)</u>	<u>(123,984)</u>
Long-term debt, net of current portion	<u>\$2,065,258</u>	<u>\$1,784,373</u>

Current maturities of long-term debt for each of the next five years and thereafter are as follows:

2017	\$ 129,389
2018	370,448
2019	135,487
2020	116,748
2021	121,496
Thereafter	<u>1,321,079</u>
Total long-term debt	<u>\$2,194,647</u>

Interest expense associated with long-term debt for the years ended June 30, 2016 and 2015 was \$72,428 and \$47,910, respectively.

NOTE 5 - OPERATING LEASES

Habitat leases a retail store under a month-to-month lease. Under the lease agreement rent is \$3,700 per month.

Total rent expense for the years ended June 30, 2016 and 2015 was \$46,033 and \$46,353, respectively.

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016 AND 2015

NOTE 6 - GRANTS

Habitat earned the following grant monies during the years ended:

	June 30,	
	2016	2015
Citrus County SHIP Grant	\$ 120,000	\$ 90,000
Florida Housing Finance (HOP)	426,580	357,879
State of Florida (MSF)	-	231,020
SHOP Funds	86,250	-
Publix	12,000	11,000
Capital City Bank Foundation		2,500
Minneapolis Foundation	1,000	1,000
TD Bank	1,500	5,000
BBVA Compass Bank	5,000	5,000
Wells Fargo Bank	-	5,000
Regions Bank	1,000	-
Raymond James	500	-
	<u>\$ 653,830</u>	<u>\$ 708,399</u>

Grants are subject to certain conditions (Note 8). Receipts are included in "sales of residences" on the accompanying financial statements.

NOTE 7 - COMMUNITY CONTRIBUTION TAX CREDITS

Florida Statute 220.183 allows business entities that make contributions to programs or organizations that support projects to provide home ownership to low income households to use a community contribution credit to offset tax due in any one year. This contribution must be either 1) cash or other liquid assets, 2) real property, 3) goods or inventory or, 4) other physical resources as identified by the Florida Department of Revenue. These contributions must be verified by the sponsoring organization in an application that verifies receipt of the contribution, and this verification must accompany the application for tax credit.

NOTE 8 - CONTINGENCIES

Habitat receives grant money from Citrus County under the State Housing Initiative Program ("SHIP") for eligible homeowners. Use of funds is restricted to infrastructure only and is credited towards the down payment on the home at closing. A lien is placed on the property at closing by Citrus County and is forgiven after a period of twenty years. In the event of homeowner default, Habitat would be required to repay these funds from the proceeds of the sale of foreclosed homes. The lien is subordinate to Habitat's position as first and second mortgage holder.

NOTE 9 - IN-KIND CONTRIBUTIONS

The value of donated goods and services included in the financial statements for the years ended is summarized as follows:

HABITAT FOR HUMANITY OF CITRUS COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016 AND 2015

NOTE 9 - IN-KIND CONTRIBUTIONS - Continued

	June 30,	
	<u>2016</u>	<u>2015</u>
Construction costs	\$ 70,386	\$ 72,322
Donated goods	<u>32,698</u>	<u>75,773</u>
Total	<u>\$ 103,084</u>	<u>\$ 148,095</u>

NOTE 10 - TRANSACTONS WITH HABITAT FOR HUMANITY INTERNATIONAL

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International on an annual basis. These funds are used to construct homes in economically depressed areas around the world.

For the years ended June 30, 2016 and 2015, Habitat made contributions of \$38,200 and \$20,000, respectively, amounts which have been included in program services expense in the statements of activities.

NOTE 11 - UNRELATED BUSINESS INCOME

Habitat purchased land and a building for purposes of leasing office space and producing rental income. The accompanying statements of activities include rental income, net of related expense. There was no unrelated business income tax for the years ended June 30, 2016 and 2015.

NOTE 12 - LOSS OF INVENTORY

For the years ended June 30, 2016 and 2015, Habitat adjusted all properties held in inventory to the 2015 certified tax roll, which was the most currently available certified tax roll. There was no write-down of land inventory for the years ended June 30, 2016 and 2015.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2016, the date on which financial statements were available for issue and has concluded that no events or transactions took place, which require disclosure herein.