

HABITAT FOR HUMANITY
OF GREATER DAYTON, INC.

FINANCIAL REPORT

JUNE 30, 2015 AND 2014

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

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FLAGEL HUBER FLAGEL

Certified Public Accountants | Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Habitat for Humanity of Greater Dayton, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Greater Dayton, Inc. ("Habitat"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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.

Auditor's 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 audits 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 Habitat as of June 30, 2015 and 2014, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Flagel Huber Flagel".

Certified Public Accountants

Dayton, Ohio

October 26, 2015

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 259,716	\$ 107,486
Cash and cash equivalents - board designated for capital campaign	1,775	15,800
Cash and cash equivalents - board designated for Greene County	149,016	160,973
Escrow holdings - taxes and insurance	132,673	113,275
Investments	71,485	69,716
Investments - permanently restricted	67,570	67,570
Pledges receivable, net of allowance	6,985	17,231
Pledges receivable - board designated for capital campaign, net of discount	42,739	70,557
Other receivables, net	43,443	26,013
Prepaid expenses	6,467	0
Construction in progress	207,567	222,944
Non-interest bearing mortgage loans	6,537,007	6,443,163
Discount on non-interest bearing mortgage loans	(3,341,119)	(3,365,153)
Land held for development	786,819	668,735
Property, plant and equipment, net	697,778	841,103
TOTAL ASSETS	\$ 5,669,921	\$ 5,459,413
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	\$ 152,342	\$ 79,260
Accounts payable and accrued expenses	235,502	231,750
Escrow holdings - taxes and insurance	132,673	113,275
Agency liabilities	117,446	108,072
Note payable	86,815	141,276
TOTAL LIABILITIES	724,778	673,633
NET ASSETS		
Unrestricted	4,684,043	4,470,880
Board designated - Greene County	149,016	160,973
Board designated - capital campaign	44,514	86,357
TOTAL UNRESTRICTED NET ASSETS	4,877,573	4,718,210
Permanently restricted	67,570	67,570
TOTAL NET ASSETS	4,945,143	4,785,780
TOTAL LIABILITIES AND NET ASSETS	\$ 5,669,921	\$ 5,459,413

The accompanying notes are an integral part of these statements.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	UNRESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE, GAINS AND OTHER SUPPORT:			
Cash contributions	\$ 868,715	\$ 0	\$ 868,715
Cash contributions - capital campaign	1,000	0	1,000
In-kind contributions	330,204	0	330,204
Sales of houses and land	521,984	0	521,984
Mortgage loan discount amortization	297,076	0	297,076
ReStore sales	584,532	0	584,532
Special events	95,145	0	95,145
Other losses	(43,121)	0	(43,121)
Net investment return	1,703	0	1,703
Total revenue, gains and other support	<u>2,657,238</u>	<u>0</u>	<u>2,657,238</u>
EXPENSES:			
Program services	2,112,615	0	2,112,615
Supporting services:			
Fundraising	156,458	0	156,458
Management and general	228,802	0	228,802
	<u>2,497,875</u>	<u>0</u>	<u>2,497,875</u>
CHANGE IN NET ASSETS	159,363	0	159,363
NET ASSETS - beginning of year	<u>4,718,210</u>	<u>67,570</u>	<u>4,785,780</u>
NET ASSETS - end of year	<u>\$ 4,877,573</u>	<u>\$ 67,570</u>	<u>\$ 4,945,143</u>

The accompanying notes are an integral part of these statements.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	UNRESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE, GAINS AND OTHER SUPPORT:			
Inherent contribution received in acquisition	\$ 780,239	\$ 0	\$ 780,239
Cash contributions	557,152	0	557,152
Cash contributions - capital campaign	68,083	0	68,083
In-kind contributions	255,596	0	255,596
Grants	24,791	0	24,791
Sales of houses and land	583,505	0	583,505
Mortgage loan discount amortization	377,466	0	377,466
ReStore sales	429,027	0	429,027
Special events	7,713	0	7,713
Other losses	(32,082)	0	(32,082)
Net investment return	19,140	0	19,140
Total revenue, gains and other support	<u>3,070,630</u>	<u>0</u>	<u>3,070,630</u>
EXPENSES:			
Program services	2,135,936	0	2,135,936
Supporting services:			
Fundraising	127,403	0	127,403
Management and general	259,860	0	259,860
	<u>2,523,199</u>	<u>0</u>	<u>2,523,199</u>
CHANGE IN NET ASSETS	547,431	0	547,431
NET ASSETS - beginning of year	<u>4,170,779</u>	<u>67,570</u>	<u>4,238,349</u>
NET ASSETS - end of year	<u>\$ 4,718,210</u>	<u>\$ 67,570</u>	<u>\$ 4,785,780</u>

The accompanying notes are an integral part of these statements.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 159,363	\$ 547,431
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Inherent contribution received in acquisition	0	(780,239)
Sales of homes to homeowners	(193,958)	(230,052)
Depreciation	32,242	29,761
Mortgage loan discount amortization	(297,076)	(377,466)
Loss on disposal of property, plant and equipment	57,615	0
Net investment gain	(1,769)	(19,392)
Effect of changes in assets and liabilities:		
Escrow holdings - taxes and insurance	(19,398)	(50,330)
Pledges receivable	10,246	6,500
Pledges receivable - board designated for capital campaign	27,818	82,991
Grants receivable	0	1,600
Other receivables	(17,430)	(26,013)
Prepaid expenses	(6,467)	6,134
Construction in progress	15,377	3,698
Land held for development	(118,084)	66,107
Accounts payable and accrued expenses	3,752	(54,721)
Escrow holdings - taxes and insurance	19,398	50,330
Agency liabilities	9,374	10,084
TOTAL ADJUSTMENTS	(478,360)	(1,281,008)
NET CASH USED IN OPERATING ACTIVITIES	(318,997)	(733,577)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Mortgage payments and credits	373,156	518,807
Purchase of property, plant and equipment	(14,389)	(38,100)
Proceeds from sale of property, plant and equipment	67,857	0
Cash obtained through acquisition	0	222,740
NET CASH PROVIDED BY INVESTING ACTIVITIES	426,624	703,447

The accompanying notes are an integral part of these statements.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

	FOR THE YEARS ENDED JUNE 30,	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from (payments on) line of credit	\$ 73,082	\$ (10,906)
Repayment of notes payable	(54,461)	(190,724)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	18,621	(201,630)
CHANGE IN CASH AND CASH EQUIVALENTS	126,248	(231,760)
CASH AND CASH EQUIVALENTS:		
Beginning of year	284,259	516,019
End of year	\$ 410,507	\$ 284,259
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 9,457	\$ 11,147
Non-cash investing and financing activities:		
Issuance of non-interest bearing mortgage loans	\$ 467,000	\$ 556,787
Discount on non-interest bearing mortgage loans	273,042	326,735
Sales of houses to homeowners subject to non-interest bearing mortgage loans	193,958	230,052

The accompanying notes are an integral part of these statements.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

1. ORGANIZATION AND PURPOSE

Habitat for Humanity of Greater Dayton, Inc. ("Habitat") is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat serves families in Montgomery and Greene Counties, Ohio and is supported primarily through sales of homes, its ReStore sales activity and donor contributions.

On January 1, 2014, Dayton, Ohio, Habitat for Humanity, Inc. acquired Habitat for Humanity of Greene County Ohio, Inc. Together, they became Habitat for Humanity of Greater Dayton, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Financial Statement Presentation

Habitat reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of each class as it pertains to Habitat is as follows:

Unrestricted – Represents resources that have no restriction on their use and are available to support Habitat's operations. Certain funds have been designated by the Board of Directors to retire the Organizations note payable obligation, and for home building activities in Greene County, Ohio.

Temporarily Restricted – Represents resources resulting from contributions and other inflows of assets whose use by Habitat is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Habitat pursuant to those stipulations. Habitat has no temporarily restricted net assets; therefore, this classification is omitted from the financial statements.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Permanently Restricted – Represents resources resulting from contributions or other inflows of assets whose use by Habitat is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Habitat pursuant to those stipulations.

Cash and Cash Equivalents

Habitat considers cash and cash equivalents to be all highly liquid accounts that include interest and non-interest bearing demand deposit accounts.

Concentration of Credit Risk

Habitat maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Habitat has not experienced any losses in these accounts. Insurance coverage is \$250,000 per depositor at each financial institution, and the non-interest bearing cash balances may, at times, exceed federally insured limits. Habitat believes it is not exposed to any significant credit risk on cash.

Escrow Activity and Agency Liabilities

Habitat services the mortgages on the homes it sells. Consequently, Habitat records an asset titled escrow holdings – taxes and insurance and a liability titled escrow holdings – taxes and insurance, which are amounts received for insurance and property taxes on such homes. Habitat also services mortgages partially financed through a third party lender. In servicing these homes, Habitat collects owner repayments on behalf of the third parties. Monies collected on behalf of these third parties are reflected as a liability titled agency liabilities.

Investments

All investments are reported at fair value. Investment income, including interest, dividends, and realized and unrealized gains or losses, are recorded in the statements of activities as unrestricted, temporarily restricted or permanently restricted, based upon donor restrictions.

Pledges Receivable

Pledge receivables represent unconditional pledges from donors to contribute cash or other assets to Habitat. Pledges receivable are recognized when received at the net present value of their estimated future cash flows. At June 30, 2015 and 2014 all pledge balances were estimated to be collected within one year. Management reviewed pledges receivable and has determined an allowance for doubtful accounts of \$1,097 as of June 30, 2015 and 2014. Bad debt expense recorded related to these receivables were \$0 and \$1,819 for the years ended June 30, 2015 and 2014, respectively.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable – Board Designated for Capital Campaign

These pledge receivables represent amounts pledged from donors as part of Habitat's recent capital campaign and have been designated by the Board of Directors for repayment of the note payable related to the building acquisition in a prior year. At June 30, 2015 and 2014, all board designated pledge balances were expected to be collected within one to five years. These pledges are recognized when received at the net present value of their estimated future cash flows. At June 30, 2015 and 2014 Habitat recorded a discount of \$2,185 and \$2,239, respectively. Management has reviewed these receivables and has determined an allowance for doubtful accounts is not necessary. Additionally, no bad debt expense has been recorded related to these receivables for the years ended June 30, 2015 and 2014.

Other Receivables

Habitat records other receivables that consist of insurance and property taxes paid by Habitat on behalf of homeowners with insufficient escrow balances. These balances totaled \$22,477 and \$30,066 at June 30, 2015 and 2014 respectively. Due to the suspect collectability of these balances, management has recorded an allowance for doubtful accounts of \$22,477 and \$30,066 at June 30, 2015 and 2014, respectively.

Also included in other receivables are amounts collectible from various entities and individuals related to building expenses and special events. These amounts total to \$43,442 and \$26,013 at June 30, 2015 and 2014, respectively. Management has determined that no allowance for doubtful accounts is necessary and there have been no bad debt expenses recorded related to these receivables for the years ended June 30, 2015 and 2014.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgages have an original maturity of twenty (20) to thirty-five (35) years and arise in connection with Habitat's homebuilding initiatives. Habitat considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or Habitat may accept back the deed in lieu of foreclosure where homeowner mortgage payments are deemed seriously delinquent. Properties acquired through foreclosure or accepting a deed in lieu of foreclosure may be sold directly on the open market, or refurbished in partnership with and sold to other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgages receivable as of June 30, 2015 and 2014. Management recorded bad debt expense related to mortgages receivable of \$0 and \$113,224 for the years ended June 30, 2015 and 2014, respectively.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgages Receivable (Continued)

In connection with the issuance of the original non-interest bearing mortgages, in most cases, Habitat also issues a silent second mortgage. These silent second mortgages represent the difference between the original mortgage and the appraised value of the home and are due to Habitat either in part or in full, if the homeowner does not comply with the terms of the original mortgage. These silent second mortgages deter the homeowner from selling the home upon closing for an immediate profit and are typically forgiven on a prorated basis over the first 100 scheduled payments of the original mortgage. At June 30, 2015 and 2014, Habitat has not recorded any receivables related to these silent second mortgages as management has determined that no triggering events have occurred that would require they be recognized in the financial statements.

Habitat's concentration of credit risk with respect to mortgage loans receivable depends on its partner families' ability to repay, which varies with economic conditions in each geographic area.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, restricted contributions may be reported as unrestricted support if the restrictions are met in the same reporting period.

Sales of Houses to Homeowners

Sales of houses to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at various rates ranging from 6.0% to 9.0% based upon prevailing market rates for disadvantaged loans at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat. 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 these financial statements since it is not susceptible to objective measurement or valuation.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods

Habitat receives donated goods for resale at the ReStore and records the donated goods at zero value rather than its fair market value as is the practice prevalent with other organizations engaged in similar activities.

Property and Equipment

Habitat capitalizes all expenditures for property and equipment in excess of \$1,000 that have a useful life of at least three years. Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Donated equipment is recorded at fair market value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 39 years.

Construction in Progress

Construction in progress represents the construction costs, including donated building materials or services, of homes either under construction or completed but not yet transferred to homeowners. Construction in progress is valued at purchased cost, or if donated, at the fair market value as of the date of donation. Costs incurred in conjunction with home construction are capitalized until the completion of each home. Following is a summary of home building activity for the years ended June 30:

	2015		2014	
	Number	Costs	Number	Costs
Homes under construction, beginning of year	8	\$ 222,944	2	\$ 150,865
Additional costs in process		92,802		0
New homes started during the year	18	441,502	14	770,965
Homes transferred during the year	(7)	(549,681)	(8)	(698,886)
Homes under construction, end of year	19	\$ 207,567	8	\$ 222,944

Impairment of Long-Lived Assets

Habitat reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended June 30, 2015 and 2014.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect 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 reporting period. Actual results could differ from these estimates.

Allocation of Expenses

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

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2015 and 2014 totaled \$71,980 and \$36,507, respectively.

Income Taxes

Habitat has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat International by the Internal Revenue Service.

Accounting principles generally accepted in the United States of America prescribe attributes for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. It requires affirmative evaluation that it is more-likely-than-not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements, and additional disclosures about uncertain tax positions are required.

Habitat's evaluation as of June 30, 2015 revealed no income tax positions that, if overturned, would have a material impact on the financial statements, including any position that would place the Organization's exempt status in jeopardy at June 30, 2015. The 2011 through 2013 tax years remain subject to examination by the Internal Revenue Service. Habitat does not believe that any reasonable changes will occur within the next twelve months that will have a material impact on the financial statements.

Reclassifications

Certain amounts reported in the prior year have been reclassified to conform to the current year presentation.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Estimate

Habitat changed the estimated remaining discount related to mortgages receivable acquired in the prior year. This change was done so that the discount and related amortization will be consistent for all mortgages receivable. The effect of this change for the year ended June 30, 2015 is an increase in mortgage loan discount amortization on the statement of activities and a decrease in discount on non-interest bearing mortgage loans on the statement of financial position of approximately \$55,000.

3. PLEDGES RECEIVABLE – BOARD DESIGNATED FOR CAPITAL CAMPAIGN

Pledges receivable represent pledges due in futures years. Amounts due in more than one year have been discounted to their estimated net present value using a 3.25% discount rate. Pledges receivable are expected to be collected as follows:

Due by June 30, 2016	\$	24,362
Due by June 30, 2017		3,773
Due by June 30, 2018		2,419
Due by June 30, 2019		2,419
Due by June 30, 2020		11,951
TOTAL		44,924
Less: Discounts to present value		(2,185)
	\$	42,739

4. MORTGAGE RECEIVABLES

The following tables summarize the age analysis of past due mortgage receivables at June 30:

	2015	2014
Current	\$ 3,791,465	\$ 3,930,329
30 – 60 days past due	457,590	322,158
61 – 90 days past due	261,480	257,727
Over 90 days past due	2,026,472	1,932,949
Total	\$ 6,537,007	\$ 6,443,163

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	JUNE 30,		Estimated Useful Life in Years
COST:	2015	2014	
Land	\$ 74,750	\$ 101,355	--
Building and improvements	649,006	809,506	39
Tools	2,489	2,489	5 - 7
Office equipment	38,805	27,887	3 - 7
Vehicles	131,773	131,773	4 - 7
TOTAL	896,823	1,073,010	
Less accumulated depreciation	(199,045)	(231,907)	
	<u>\$ 697,778</u>	<u>\$ 841,103</u>	

Depreciation expense was \$32,242 and \$29,761 for the years ended June 30, 2015 and 2014, respectively.

6. LINE OF CREDIT

Habitat has a revolving line of credit with a local bank with a maximum borrowing limit of \$250,000 to provide for normal working capital requirements. The line of credit bears interest at prime (3.25% at June 30, 2015 and 2014). The outstanding balance on this note was \$152,342 and \$79,260 as of June 30, 2015 and 2014, respectively.

7. OPERATING LEASES

Habitat leases certain office equipment under long-term lease agreements. These leases are classified as operating leases and expire in 2016.

Rent expense under operating lease agreements for the years ended June 30, 2015 and 2014 was \$1,430 and \$1,710, respectively.

Minimum future lease payments as of June 30, 2015 for each of the following two (2) fiscal years and in the aggregate are as follows:

2016	\$ 2,460
2017	205
	<u>\$ 2,665</u>

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

8. RETIREMENT PLAN

Habitat sponsors a defined contribution plan (the Plan) covering all employees who have completed minimum age and service requirements. Habitat makes a contribution to the Plan up to 3% of the participant's compensation. Total expense for the years ended June 30, 2015 and 2014 was \$3,412 and \$6,302, respectively.

9. TRANSACTIONS WITH RELATED PARTIES

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2015 and 2014, Habitat contributed \$35,134 and \$20,503, respectively, to Habitat International. Such amounts are included in program services expense in the Statements of Activities.

At June 30, 2015, Habitat owed to Habitat International \$2,165 for materials purchased and \$19,400 as part of its annual contribution remittance. These amounts are included in accounts payable and accrued expenses.

Habitat also uses an accounting service, owned by a board member. Habitat paid \$148,661 and \$162,155 to this company during the years ended June 30, 2015 and 2014, respectively.

10. NOTE PAYABLE

Note payable consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
PNC Bank - mortgage loan requiring monthly payments of \$825, bearing interest at 3.15%. Original value of loan was \$432,000, dated November 30, 2012, with a five year term, with a balloon payment in the fifth year.	\$ <u>86,815</u>	\$ <u>141,276</u>

Minimum future note payments as of June 30, 2015 for each of the following three (3) fiscal years and in the aggregate are as follows:

2016	\$ 8,860
2017	8,430
2018	69,525
	<u>\$ 86,815</u>

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

11. CONTINGENCIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to compliance audits. Such audits could result in claims against Habitat for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

12. INVESTMENTS

The cost and fair value of Habitat's investments are summarized as follows:

	JUNE 30, 2015		JUNE 30, 2014	
	Cost	Fair Value	Cost	Fair Value
Investments held at the Dayton Foundation:				
Money market funds	\$ 1,117	\$ 1,117	\$ 843	\$ 843
Common stocks	38,912	66,772	38,828	65,923
Mutual funds	39,375	71,166	39,667	70,520
	<u>\$ 79,404</u>	<u>\$ 139,055</u>	<u>\$ 79,338</u>	<u>\$ 137,286</u>

Components of investment return include the following for the years ended June 30:

	2015	2014
Unrealized gains	\$ 1,703	\$ 19,140
Interest and dividend income	2,533	2,366
Investment fees	(2,467)	(2,114)
Other	(66)	(252)
	<u>\$ 1,703</u>	<u>\$ 19,140</u>

13. ENDOWMENT FUNDS

Permanently restricted net assets consist of endowment fund investments created to further the mission of Habitat. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

13. ENDOWMENT FUNDS (Continued)

Habitat has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Habitat classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by SPMIFA. Habitat considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Habitat, and (7) Habitat's investment policies.

Habitat has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. Habitat's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Habitat relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Habitat targets a diversified asset allocation that places an emphasis on equity investments to achieve its long-term return objectives with prudent risk parameters.

To date, Habitat has appropriated all the earnings from the endowment to support operations.

Permanently restricted endowment net assets as of June 30, 2015 and 2014 were \$67,570.

Changes in endowment net assets for the years ended June 30 were as follows:

	2015	2014
Beginning of year	\$ 67,570	\$ 67,570
Net appreciation	1,703	19,140
Amounts appropriated for expenditure	(1,703)	(19,140)
End of year	<u>\$ 67,570</u>	<u>\$ 67,570</u>

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

14. FAIR VALUE MEASUREMENTS

Habitat applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy has been established that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Observable inputs such as quoted prices in active markets;
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The carrying value of Habitat's short term financial instruments, including cash and cash equivalents, pledges receivable, and accounts payable approximate fair value due to the relatively short period of time between their origination and expected realization.

A description of the valuation methodologies used for assets measured at fair value, as well as the general description of such instruments pursuant to the valuation hierarchy, is set forth below. There have been no changes in the methodologies used at June 30, 2015 and 2014.

The fair values of investments are categorized as level one and are a combination of money market funds, common stocks, and mutual funds. The fair values are determined by quoted prices in active exchange markets, such as the New York Stock Exchange. See Note 12.

The discounted non-interest bearing mortgage loans receivable is categorized as level two. The discount rate used to calculate the discount for all mortgages closed during a fiscal year is published annually by Habitat for Humanity International. It is based on an average of the low-income housing credit annual discount rate, Revenue Ruling 2009-16 section 42(b)(1), for buildings placed in service during the period.

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

14. FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets and liabilities measured on a recurring basis at June 30, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 1,117	\$ 0	\$ 0	\$ 1,117
Common stocks	66,772	0	0	66,772
Mutual funds	71,166	0	0	71,166
Total investments	<u>\$ 139,055</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 139,055</u>
Receivables				
Mortgage loans	\$ 0	\$ 6,537,007	\$ 0	\$ 6,537,007
Less: discounts	0	(3,341,119)	0	(3,341,119)
Net receivables	<u>\$ 0</u>	<u>\$ 3,195,888</u>	<u>\$ 0</u>	<u>\$ 3,195,888</u>

Fair values of assets and liabilities measured on a recurring basis at June 30, 2014 are as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 843	\$ 0	\$ 0	\$ 843
Common stocks	65,923	0	0	65,923
Mutual funds	70,520	0	0	70,520
Total investments	<u>\$ 137,286</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 137,286</u>
Receivables				
Mortgage loans	\$ 0	\$ 6,443,163	\$ 0	\$ 6,443,163
Less: discounts	0	(3,365,153)	0	(3,365,153)
Net receivables	<u>\$ 0</u>	<u>\$ 3,078,010</u>	<u>\$ 0</u>	<u>\$ 3,078,010</u>

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

15. ACQUISITION

Effective January 1, 2014, Dayton, Ohio, Habitat for Humanity, Inc. acquired Habitat for Humanity of Greene County Ohio, Inc. Together, they became Habitat for Humanity of Greater Dayton, Inc.

Habitat applied FASB ASC 958-805 as it relates to an *Acquisition by a Not-for-Profit Entity*. There was no cash or other consideration involved in the transaction. The transaction was accounted for using the acquisition method, as substantially all assets and liabilities of Greene County Habitat for Humanity, Inc. were absorbed into Habitat for Humanity of Greater Dayton, Inc. These financial statements represent the combined operations resulting from the acquisition. The details of the inherent contribution and related changes in net assets recorded during the year ended June 30, 2014 is as follows:

Unrestricted inherent contribution:

Cash and cash equivalents	\$	222,740
Mortgage receivable		456,070
Land for development		26,507
Construction in process		75,777
Deposits		2,556
Property and equipment		86
Accounts payable		(3,497)
	\$	<u>780,239</u>

16. SUBSEQUENT EVENTS

Management evaluated the activity of Habitat through October 26, 2015 (the date the financial statements were available to be issued) and concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

		Supporting Services		
	Programs *	Fundraising	Management and General	TOTAL
Salaries and benefits	\$ 526,284	\$ 75,183	\$ 82,018	\$ 683,485
Contract Labor	95,143	17,840	35,679	148,662
Building materials and supplies	549,681	0	0	549,681
Building services	296,822	0	0	296,822
Depreciation	26,761	645	4,836	32,242
Mortgage discounts	273,042	0	0	273,042
Rent	1,430	0	0	1,430
Vehicles	13,953	0	0	13,953
Utilities	53,159	3,127	6,254	62,540
Advertising	21,594	35,990	14,396	71,980
Special projects	372	0	0	372
Printing and postage	13,652	6,826	2,275	22,753
ReStore expenses	65,303	0	0	65,303
Professional fees	9,270	2,318	17,381	28,969
Insurance	25,555	1,917	4,472	31,944
Interest expense	0	0	9,457	9,457
Travel and entertainment	2,036	2,036	16,290	20,362
Office supplies	68,184	8,523	8,523	85,230
Education	26,275	2,053	12,727	41,055
Property maintenance	33,932	0	9,020	42,952
Other	10,167	0	5,474	15,641
	<u>\$ 2,112,615</u>	<u>\$ 156,458</u>	<u>\$ 228,802</u>	<u>\$ 2,497,875</u>
Portion of above expenditures supported by in-kind contributions	<u>\$ 330,204</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 330,204</u>

* Programs include Family Services, Volunteer Services, Affordable Housing through Construction and ReStore

HABITAT FOR HUMANITY OF GREATER DAYTON, INC.

SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	Supporting Services			
			Management and General	
	Programs *	Fundraising		TOTAL
Salaries and benefits	\$ 463,166	\$ 67,037	\$ 79,226	\$ 609,429
Contract Labor	103,780	19,459	38,917	162,156
Building materials and supplies	698,886	0	0	698,886
Building services	180,173	595	0	180,768
Depreciation	24,702	0	4,464	29,166
Mortgage discounts	312,985	0	0	312,985
Rent	1,710	0	0	1,710
Vehicles	8,797	0	0	8,797
Utilities	61,635	3,626	7,251	72,512
Advertising	10,952	18,254	7,301	36,507
Special projects	1,437	0	0	1,437
Printing and postage	8,156	4,078	1,359	13,593
ReStore expenses	11,428	0	0	11,428
Professional fees	8,179	2,045	15,335	25,559
Insurance	24,143	1,811	4,225	30,179
Interest expense	0	0	11,147	11,147
Travel and entertainment	1,742	1,742	13,938	17,422
Office supplies	66,186	8,273	8,273	82,732
Education	6,180	483	2,994	9,657
Property maintenance	39,867	0	10,598	50,465
Other	101,832	0	54,832	156,664
	<u>\$ 2,135,936</u>	<u>\$ 127,403</u>	<u>\$ 259,860</u>	<u>\$ 2,523,199</u>
Portion of above expenditures supported by in-kind contributions	<u>\$ 255,596</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 255,596</u>

* Programs include Family Services, Volunteer Services, Affordable Housing through Construction and ReStore