

**HABITAT FOR HUMANITY
OF HILLSBOROUGH COUNTY FLORIDA, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2015



FINANCIAL STATEMENTS
JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Hillsborough County Florida, Inc.
Tampa, Florida

We have audited the accompanying financial statements of Habitat for Humanity of Hillsborough County Florida, Inc. (a Not-For-Profit Entity), 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.

Auditor's Responsibility

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

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

Accell Audit & Compliance, PA

Tampa, Florida
November 19, 2015

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current assets	
Cash and cash equivalents	\$ 560,944
Assets held in escrow	87,075
Grant receivable - related party	36,000
Grants receivable	19,357
Pledges receivable	7,500
Other receivables	66,447
Prepaid expenses	17,872
Mortgage notes receivable net of discounts, due within one year	27,235
Inventory - construction and ReStore	122,243
Total current assets	<u>944,673</u>
Non-current assets	
Mortgage notes receivable net of discounts, due after one year	1,029,943
Inventory - land held for development	141,357
Construction in process - ReStore leasehold improvements	41,193
Property and equipment, net	645,636
Deposits	17,207
Total non-current assets	<u>1,875,336</u>
Total assets	<u>\$ 2,820,009</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 13,807
Accrued expenses	53,515
Escrow funds payable	87,075
Agency payable	75,058
Current portion of note payable - related party	5,616
Current portion of note payable	16,216
Total current liabilities	<u>251,287</u>
Long-term liabilities	
Note payable - related party, less current portion	5,999
Note payable, less current portion	193,738
Total long-term liabilities	<u>199,737</u>
Total liabilities	<u>451,024</u>
Net assets	
Unrestricted	2,301,485
Temporarily restricted	67,500
Total net assets	<u>2,368,985</u>
Total liabilities and net assets	<u>\$ 2,820,009</u>

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Public support			
ReStore sales	\$ 1,067,345	\$ -	\$ 1,067,345
In-kind contributions	98,245	228,929	327,174
Contributions	132,744	159,593	292,337
Grant funding	145,700	-	145,700
	<u>1,444,034</u>	<u>388,522</u>	<u>1,832,556</u>
 Total public support	 <u>1,444,034</u>	 <u>388,522</u>	 <u>1,832,556</u>
 Other revenue			
Sale of home	107,975	-	107,975
Mortgage discount amortization	6,348	-	6,348
Other	21,240	-	21,240
	<u>135,563</u>	<u>-</u>	<u>135,563</u>
 Total other revenue	 <u>135,563</u>	 <u>-</u>	 <u>135,563</u>
 Net assets released from restrictions	 <u>346,022</u>	 <u>(346,022)</u>	 <u>-</u>
 Total public support and other revenue	 <u>1,925,619</u>	 <u>42,500</u>	 <u>1,968,119</u>
 EXPENSES			
Program services	1,322,092	-	1,322,092
Supporting services:			
Management and general	250,380	-	250,380
Fundraising	68,744	-	68,744
	<u>1,641,216</u>	<u>-</u>	<u>1,641,216</u>
 Total functional expenses	 <u>1,641,216</u>	 <u>-</u>	 <u>1,641,216</u>
 Change in net assets	 <u>284,403</u>	 <u>42,500</u>	 <u>326,903</u>
 Net assets, beginning of year	 <u>2,017,082</u>	 <u>25,000</u>	 <u>2,042,082</u>
 Net assets, end of year	 <u>\$ 2,301,485</u>	 <u>\$ 67,500</u>	 <u>\$ 2,368,985</u>

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services				Supporting Services			TOTAL
	Rehab and Construction	Family Services	ReStore	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Personnel expenses	\$ 123,741	\$ 74,578	\$ 454,037	\$ 652,356	\$ 60,223	\$ 123,078	\$ 183,301	\$ 835,657
Other Expenses								
Admin and general	19,971	162,208	52,136	234,315	5,641	80,633	86,274	320,589
Cost of home/land sales	246,148	-	-	246,148	-	-	-	246,148
Facilities	11,826	546	93,403	105,775	440	27,044	27,484	133,259
Cost of goods sold, Restore	-	-	39,016	39,016	-	-	-	39,016
Home rehabilitation	11,043	-	-	11,043	-	-	-	11,043
Interest	-	-	-	-	-	10,182	10,182	10,182
Special events	3,502	-	-	3,502	2,248	-	2,248	5,750
Other	917	6,114	15,446	22,477	127	2,723	2,850	25,327
Total expenses before Other non-cash items	417,148	243,446	654,038	1,314,632	68,679	243,660	312,339	1,626,971
Depreciation	340	-	7,120	7,460	65	6,720	6,785	14,245
Total Functional Expenses	\$ 417,488	\$ 243,446	\$ 661,158	\$ 1,322,092	\$ 68,744	\$ 250,380	\$ 319,124	\$ 1,641,216

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 326,903
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	14,245
(Increase) decrease in assets:	
Assets held in escrow	(24,949)
Grant receivable - related party	(36,000)
Grants receivable	(19,357)
Pledges receivable	59,215
Other receivables	(15,144)
Prepaid expenses	(4,907)
Mortgage notes receivable, net of discounts	(50,258)
Inventory - construction and ReStore	(78,695)
Mortgages in process of foreclosure	178,000
Inventory - land held for development	26,660
Construction in process - ReStore leasehold improvements	41,193
Deposits	(15,001)
Increase (decrease) in liabilities:	
Accounts payable	(24,957)
Accrued expenses	(8,136)
Escrow funds payable	24,949
Agency payable	(5,792)
Net cash from operating activities	387,969

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	(3,401)
Acquisition of leasehold improvements	(82,386)
Net cash used in investing activities	(85,787)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on note payable - related party	(5,616)
Payments on note payable	(15,333)
Net cash used in financing activities	(20,949)

Net change in cash and cash equivalents	281,233
Cash and cash equivalents, beginning of year	279,711
Cash and cash equivalents, end of year	\$ 560,944

SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR INTEREST	\$ 10,183
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See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 NATURE OF ORGANIZATION

Habitat for Humanity International, Inc. ("HFHI") was founded in 1976 by Millard and Linda Fuller. The concept of Habitat for Humanity is that each Habitat Affiliate and those in need of adequate shelter would work side-by-side with volunteers to build simple, decent homes. Habitat for Humanity of Hillsborough County Florida, Inc. ("Habitat" or the "Organization") became an Affiliate in 1987 and is a tax-exempt Not-for-Profit organization. The mission of Habitat, in partnership with God, is to mobilize people to help neighbors by renovating and building homes, thereby improving and transforming families and communities within Hillsborough County.

Habitat's Program Services include its home construction program, a thrift retail operation (d.b.a. the ReStore), and family service programs, all of which are provided principally to residents in Hillsborough County.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Habitat have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Habitat has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 958, *Not-for-Profit Entities* ("ASC 958"). Under ASC 958, Habitat is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. As such, Habitat reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and, if applicable, permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when the gifts' underlying promises are received by Habitat. Habitat reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time period or a specific purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Sale of home represents a home built by Habitat. When homes are sold to qualified buyers who finance the purchase, the resulting mortgage notes are zero-interest bearing and discounted based upon prevailing market rates at the inception of the mortgages. The gross sale amount is included as the sale of home in the statement of activities and the applicable discount from this note is presented as the mortgage discount amortization in the statement of activities. When homes or land are sold to buyers in the form of a cash sale, the gross sale amount is included in the sale of homes and land in the statement of activities. In the year ended June 30, 2015, there

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

were no homes or land sold to buyers in the form of a cash sale. Habitat recognizes the income from the sale of homes on the completed contract method when home closings occur.

Habitat accounts for grants and contracts as exchange transactions. Revenue is recognized as an increase in the statement of activities as stipulated performance is executed, or as expenditures are incurred in accordance with applicable agreements under expenditure reimbursement contracts. A receivable is recorded to the extent contract revenue exceeds payment received. Advances in excess of costs incurred are deferred and recognized as revenue when the related expense is incurred.

Support arising from donated, or in-kind, goods, property, and services is recognized in the financial statements at its fair value. GAAP requires recognition of in-kind services, if such services (1) create or enhance nonfinancial assets or (2) require specialized skills and are provided by individuals possessing those skills, who would typically charge a fee. For the year ended June 30, 2015, there was approximately \$76,000 and \$251,000 recorded in the accompanying financial statements for in-kind goods and services, respectively. Habitat utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization. The fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under GAAP.

ReStore sales are recognized as revenue at the time merchandise is transferred to the customer. Historically, sales returns have not been significant.

Use of Estimates

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

Cash and Cash Equivalents

Habitat considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

Assets Held in Escrow

Habitat currently services the mortgage notes on the homes it sells. Included in assets held in escrow are cash amounts received for insurance and property taxes on such homes. These cash amounts are recorded as an asset, which is offset by a related liability.

Mortgage Notes Receivable

Sales of homes are recorded at the gross amount of payments to be received over the lives of the mortgages. These payments do not include interest. The notes have been discounted at various interest rates using the effective interest method over the lives of the mortgages. Mortgages are reported net of amortized cost. No allowance for doubtful accounts is considered necessary as past experience and management's estimation indicates an adequate allowance for such accounts is immaterial (see Note 3).

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Inventory

ReStore inventory, which consists of merchandise donated by building supply stores and by individuals in the community, is stated at lower of cost or market value. With few exceptions, the donated items are used, resulting in an undeterminable market value. For these items, inventory is not recorded. The sale of these items, referred to as ReStore sales on the statement of activities, is recorded at point of sale.

Habitat's inventory also includes construction inventory, construction in process, and land held for construction which is recorded at the lower of cost or market value.

Construction in Process – ReStore Leasehold Improvements

Construction in process for leasehold improvements is recorded at cost, net of lessor contributions as provided for in the lease agreement. Habitat has a policy of capitalizing expenditures for leasehold improvements with costs greater than \$500. Depreciation is provided using the straight-line method over the estimated useful lives of assets or the lease term, whichever is less. Depreciation will commence when the ReStore being leased ("ReStore II") begins operations.

Property and Equipment

Property and equipment are recorded at cost or, if donated, the estimated fair value at the date of donation. Habitat has a policy of capitalizing expenditures for property and equipment with costs greater than \$500. Depreciation is provided using the straight-line method over the estimated useful lives of assets which range from three to 10 years. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, gifts of property are recorded as unrestricted support.

Net Assets

Habitat's net assets for the year ended June 30, 2015 are classified into two categories: (1) unrestricted net assets, which include no donor-imposed restrictions and (2) temporarily restricted net assets, which include donor-imposed restrictions that will expire in the future.

The unrestricted net assets consist of operating funds available for any purpose authorized by the Board of Directors (the "Board").

Temporarily restricted net assets consist of funds arising from gifts in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent. At June 30, 2015, Habitat had \$67,500 of temporarily restricted net assets.

Gifts and Contributions

Gifts and contributions are recorded at their fair market value on the date of receipt. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Concentration of Credit Risk

Financial instruments that potentially subject Habitat to concentrations of credit risk consist primarily of bank deposits and mortgages receivable.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Habitat maintains bank accounts with balances which, at times, may exceed federally insured limits. As of June 30, 2015, Habitat had approximately \$390,000 of uninsured cash. Habitat has not experienced any losses on such accounts, and believes it is not exposed to any significant risk on bank deposit accounts.

Habitat has the ability to foreclose on delinquent mortgages, reducing the risk of loss to the Organization.

Functional Expenses

Certain direct, indirect, and administrative expenses are incurred which benefit more than one program. The Organization, therefore, allocates these expenses accordingly using time charged to employees and other various methods.

Federal Income Tax

Habitat is exempt from federal and state income taxes under Section 501(c)(3) and, accordingly, no provision for income taxes has been made in the accompanying financial statements. Management has evaluated Habitat's tax position and concluded that no uncertain tax positions have been taken that would require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the FASB ASC. With few exceptions, Habitat is subject to income tax examinations by the U.S. federal or state tax authorities up to three years after tax returns are filed.

Subsequent Events

In accordance with ASC 855, *Subsequent Events*, Habitat evaluated subsequent events through November 19, 2015; the date the financial statements were available for issue.

NOTE 3 MORTGAGES RECEIVABLE

Habitat holds 25 mortgages receivable for properties it has sold to qualified buyers. These mortgages have maturity dates ranging from one to 30 years. The notes on these mortgages are non-interest bearing, payable in equal monthly installments, and are secured by deeds of trust on the properties. The payments collected on these mortgages are used to help fund future home construction, pursuant to an agreement with HFHI. The notes have been discounted at the prevailing market rate at the inception of the mortgage using the effective interest method over the lives of the mortgages. As mortgage payments are made, Habitat recognizes the amortization of the discount as revenue.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Mortgages receivable as of June 30, 2015 are as follows:

Mortgage notes receivable at face value	\$ 1,761,900
Less unamortized discounts on mortgage notes	<u>(704,722)</u>
 Mortgage notes receivable, net of discounts	 <u>\$ 1,057,178</u>

Principal payments on the mortgages receivable balance are expected to be received as follows:

<u>Year ending June 30,</u>	
2016	\$ 27,235
2017	27,385
2018	28,594
2019	28,027
2020	29,418
Thereafter	<u>916,519</u>
Total	<u>\$ 1,057,178</u>

During the year ended June 30, 2015, Habitat sold one property to a qualified buyer at a zero-interest mortgage that is being financed by Habitat. Habitat incurred a non-cash expense in the current year of approximately \$44,000 related to the recorded discount on the mortgage issued.

Prior to the current fiscal year, Organization management identified and foreclosed 10 delinquent mortgages. In the current year, the properties related to these mortgages were sold for approximately \$178,000.

Periodically, Habitat sells individually identified mortgages receivable to financial institutions. Habitat continues to service these receivables by collecting payments from homeowners on behalf of the purchasing financial institutions. Homeowner payments are remitted by Habitat to the purchasing financial institutions in arrears. Accordingly, Habitat has reported an agency payable liability in the amount of approximately \$75,000 as of June 30, 2015. This reflects the homeowner payments held by Habitat that must be subsequently remitted to the purchasing financial institutions. For the year ended June 30, 2015, Habitat sold none of its mortgages.

NOTE 4 INVENTORY

Inventory consists of the following as of June 30, 2015:

Land held for development	\$ 141,357
Construction in process	64,593
Supplies and materials	50,444
ReStore inventory	<u>7,206</u>
 Total inventory	 <u>\$ 263,600</u>

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Due to the changing conditions in the real estate market, management conducted a review of its land held for development. Management has concluded that the fair value of this land approximates its cost.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2015:

Building	\$	457,392
Land		350,000
Equipment		16,253
Office equipment		10,950
Automobile		10,000
		844,595
Less accumulated depreciation		(198,959)
		\$ 645,636

Depreciation expense for the year ended June 30, 2015 was approximately \$14,000.

NOTE 6 CONSTRUCTION IN PROCESS – RESTORE LEASEHOLD IMPROVEMENTS

In May 2015, Habitat entered into a lease agreement to open and operate a second ReStore location, ReStore II. The initial lease term will expire on December 31, 2022. As of June 30, 2015, ReStore II was not operational. During the current fiscal year, Habitat incurred approximately \$82,000 in costs related to improving ReStore II. Per the lease agreement, the landlord has agreed to reimburse Habitat 50% of the costs related to improving ReStore II, up to a maximum contribution of \$75,000. The landlord's contribution is contingent upon specific conditions which must be met by Habitat. Habitat's management has evaluated these conditions and believes there is a remote chance they won't be met. As such, Habitat has recorded construction in process - ReStore leasehold improvements on the statement of financial position for approximately \$41,000. The remaining \$41,000 is expected to be reimbursed by the landlord and is included in other receivables on the statement of financial position.

NOTE 7 GRANT RECEIVABLE – RELATED PARTY

In April 2015, the Organization entered into a sub-grant agreement through HFHI whereby HFHI will provide the Organization funds in the amount of \$40,000 for the purpose of constructing a new house in such a way as to meet certain energy related standards. Per the agreement, the Organization will receive payment from HFHI incrementally as certain conditions are met. As of June 30, 2015, criteria relating to \$36,000 of the funding had not yet been met. The Organization's management believes there is a remote likelihood that the conditions will not be met and therefore has recorded the entire \$40,000 grant as revenue on the statement of activities and the \$36,000 balance at year end as a grant receivable on the statement of financial position.

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 NOTE PAYABLE – RELATED PARTY

During 2011, Habitat entered into a promissory note agreement with HFHI under which it could borrow up to \$22,500. This promissory note agreement was entered into as part of the Self-Help Homeownership Opportunity Program (“SHOP”) affiliate sub-grant agreement in which, through HFHI, Habitat was awarded \$90,000 to be used to pay eligible expenses with respect to land acquisition and infrastructure improvements, with 25% of the award due to HFHI. As of June 30, 2015, the total amount due to HFHI was approximately \$12,000, and is recorded as a note payable – related party on the statement of financial position. This promissory note is non-interest bearing with the total principal to be paid in full before January 1, 2018.

Future principal maturities on note payable – related party are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 5,616
2017	5,616
2018	<u>383</u>
Total	<u>\$ 11,615</u>

NOTE 9 NOTE PAYABLE

Note payable consists of the following as of June 30, 2015:

Note payable, collateralized by a mortgage, payable in monthly installments of \$2,126, including interest at 4.6% per annum, beginning November 2013 through October 2018.

	\$ 209,954
Less current portion	<u>16,216</u>
Note payable, less current portion	<u>\$ 193,738</u>

Future principal maturities on the note payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 16,216
2017	16,978
2018	17,775
2019	<u>158,985</u>
Total	<u>\$ 209,954</u>

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 LINE OF CREDIT

Habitat has a line of credit with a lending institution. The line is in the amount of \$50,000 with no maturity date. As of June 30, 2015, there were no amounts outstanding on the line of credit.

NOTE 11 CONTINGENCY

Habitat is subject to federal audits to determine compliance with grant funding requirements. In the event that expenditures are disallowed, repayment could be required. Government grants require the fulfillment of certain conditions as set forth by applicable laws, rules and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of the funds to the grantor.

In addition, during the normal course of business, the Organization may be exposed to potential liabilities related to its homebuilding and community development activities. Management is unaware of any matters requiring accrual of related losses in the financial statements. This assessment, however, may change and matters of which management is unaware may exist.

NOTE 12 COMMITMENTS

In an effort to further Habitat's mission, the Organization entered into several contractual agreements, generally cancelable with 7 to 30 days written notice, with outside vendors and service providers.

NOTE 13 OPERATING LEASES

In addition to the ReStore II lease described in Note 6, Habitat had multiple lease obligations during the year ended June 30, 2015, which expire on various future dates. These leases include delivery trucks and a copy machine. Lease expense for these operating leases for the year ended June 30, 2015 was approximately \$73,000.

The following is a schedule by years of the future minimum lease payments:

Year ending June 30,	Amount
2016	\$ 55,584
2017	110,092
2018	112,426
2019	113,970
2020	117,389
Thereafter	308,638
Total	<u>\$ 818,099</u>

HABITAT FOR HUMANITY OF HILLSBOROUGH COUNTY FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year-end, Habitat has incurred approximately \$58,000 of additional leasehold improvement costs related to the ReStore II lease. Per the terms of the lease agreement more fully described in Note 6, once conditions are met, Habitat would be reimbursed 50% of the costs, or approximately \$29,000, from the landlord.