

HABITAT FOR HUMANITY OF BROWARD, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

HABITAT FOR HUMANITY OF BROWARD, INC.

CONTENTS

Independent Auditors' Report	1-3
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Financial Statements

Statement of Financial Position	4
Statement of Activities and Changes in Net Assets.....	5
Statement of Cash Flows	6

Notes to Financial Statements	7-19
--	------

Supplementary Information

Schedule of Functional Expenses	20
---------------------------------------	----

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Broward, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Broward, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Qualified Opinion

As explained in Note 2 (within the inventories and donated goods and services headings) to the financial statements, inventory at the ReStore acquired by contribution is recorded at \$150,000 as of June 30, 2016. This amount is not adjusted for contributions of inventory or subsequent sales. Accounting principles generally accepted in the United States of America (“GAAP”) require contributions to be recorded at fair value at the date of receipt. GAAP also requires the Organization to record a cost of goods sold when the corresponding inventory is sold.

As explained in Note 2 (within the impairment of long lived assets heading) to the financial statements, the Organization does not have a mechanism in place to timely identify circumstances requiring an impairment analysis of single family homes under development or held for sale. In addition, if the Organization were to determine that there is a potential impairment, they write the asset down to the tax assessed value as determined by the Broward County Property Appraiser. At times the Organization reacquires property due to owner delinquency. Management of the Organization uses Broward County Property Appraiser’s tax assessed values to record the reacquisition in the accounts. GAAP requires these values be measured at fair value as defined, which may not equal Broward County Property Appraiser’s tax assessed value.

The effects on the accompanying financial statements in accordance with GAAP have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis of Qualification Opinion paragraphs, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Broward, Inc. as of June 30, 2016, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses (supplementary information) is presented for purposes of additional analysis and is 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 audit 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.

Prior Period Summarized Comparative Information

We have previously audited Habitat for Humanity of Broward, Inc.'s 2015 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated October 06, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Fort Lauderdale, FL
April 24, 2017

HABITAT FOR HUMANITY OF BROWARD, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2015)

	2016	2015
Assets		
Cash and cash equivalents	\$ 3,850,578	\$ 3,380,286
Restricted cash	483,738	419,225
Receivables:		
Mortgages receivable, net	8,227,451	7,728,383
Promises to give	1,017,291	456,991
Inventory-Re-Store	150,000	150,000
Property and equipment, net	1,830,408	1,870,708
Single family homes	5,813,961	6,558,071
Other assets	77,784	96,452
Total Assets	\$ 21,451,211	\$ 20,660,116
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 68,488	\$ 205,427
Accrued and other liabilities	398,267	505,984
Mortgage payable, net	12,282	45,439
Total Liabilities	479,037	756,850
Net Assets		
Unrestricted	18,425,234	19,207,266
Temporarily restricted	2,546,940	696,000
Total Net Assets	20,972,174	19,903,266
Total Liabilities and Net Assets	\$ 21,451,211	\$ 20,660,116

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BROWARD, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Public Support and Revenue				
Home sales	\$ 1,015,360	\$ --	\$ 1,015,360	\$ 857,496
Contributions and grants	1,082,902	2,273,499	3,356,401	2,462,115
Rent income	1,174	--	1,174	9,151
Special events	71,412	--	71,412	57,400
In-kind revenue	79,012	--	79,012	87,840
ReStore, net	<u>1,014,384</u>	<u>--</u>	<u>1,014,384</u>	<u>1,074,187</u>
Total Public Support and Revenue	<u>3,264,244</u>	<u>2,273,499</u>	<u>5,537,743</u>	<u>4,548,189</u>
Net Assets Released from Temporary Restrictions				
Due to satisfaction of program restrictions	<u>422,559</u>	<u>(422,559)</u>	<u>--</u>	<u>--</u>
Expenses				
Program services	<u>4,286,300</u>	<u>--</u>	<u>4,286,300</u>	<u>3,188,191</u>
Supporting services:				
Management and general	544,095	--	544,095	469,143
Fund raising	<u>316,937</u>	<u>--</u>	<u>316,937</u>	<u>312,291</u>
Total supporting services	<u>861,032</u>	<u>--</u>	<u>861,032</u>	<u>781,434</u>
Total Expenses	<u>5,147,332</u>	<u>--</u>	<u>5,147,332</u>	<u>3,969,625</u>
Revenue (Expenses) in Excess of Public Support	<u>(1,460,529)</u>	<u>1,850,940</u>	<u>390,411</u>	<u>578,564</u>
Other				
Investment income	1,900	--	1,900	3,753
Impairment loss on single family homes	(177,099)	--	(177,099)	(651,168)
Amortization of discount of zero-interest mortgages receivable	822,469	--	822,469	589,737
Amortization of discount of zero-interest mortgages payable	(6,101)	--	(6,101)	(6,101)
Other	<u>37,328</u>	<u>--</u>	<u>37,328</u>	<u>25,112</u>
Total Other	<u>678,497</u>	<u>--</u>	<u>678,497</u>	<u>(38,667)</u>
Changes in Net Assets	(782,032)	1,850,940	1,068,908	539,897
Net Assets - Beginning	<u>19,207,266</u>	<u>696,000</u>	<u>19,903,266</u>	<u>19,363,369</u>
Net Assets - Ending	<u>\$18,425,234</u>	<u>\$ 2,546,940</u>	<u>\$20,972,174</u>	<u>\$19,903,266</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BROWARD, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
Cash Flows from Operating Activities		
Activities to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ 1,068,908	\$ 539,897
Home sales	(1,015,360)	(857,496)
Amortization of discount of zero-interest mortgages receivable	(822,469)	(589,737)
Note payable discount amortization of zero-interest mortgages payable	6,101	6,101
Impairment loss on single family homes	(177,099)	(651,168)
Bad debt expense	46,448	129,317
Depreciation	72,099	75,146
(Increase) decrease in assets:		
Restricted cash	(64,513)	42,327
Single family homes	921,209	(1,816,863)
Promises to give	(560,300)	(404,245)
Other assets	18,668	(23,858)
Increase (decrease) in liabilities:		
Account payable	(136,939)	142,986
Accrued and other liabilities	(107,717)	33,177
Deferred revenue	--	(50,000)
Net Cash Used in Operating Activities	(750,964)	(3,424,416)
Cash Flows Provided by (Used in) Investing Activities		
Purchases of property and equipment	(31,799)	(88,929)
Collection of mortgages receivable, net	1,292,316	1,381,745
Net Cash Provided by Investing Activities	1,260,517	1,292,816
Cash Flows Used in Financing Activity		
Repayment of mortgages payable	(39,261)	(31,772)
Net Cash Used in Financing Activities	(39,261)	(31,772)
Net Increase (Decrease) in Cash and Cash Equivalents	470,292	(2,163,372)
Cash and Cash Equivalents - Beginning	3,380,286	5,543,658
Cash and Cash Equivalents - Ending	\$ 3,850,578	\$ 3,380,286

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – THE ORGANIZATION

Habitat for Humanity of Broward, Inc. (the "Organization") was incorporated in June of 1983 and is an affiliate of Habitat for Humanity International, Inc., ("HFHI"). HFHI and its affiliates are tax-exempt, not-for-profit ecumenical ministries whose mission is to provide low-income families with decent, affordable housing.

In fulfilling its mission, the Organization builds single family homes in Broward County, Florida, sells them to low-income families (homeowners) and holds non-interest bearing mortgage receivables with payments commensurate with the family's ability to pay. The Organization also provides prospective homeowners in its program with counseling and training to prepare them for home ownership and its responsibilities. Homeowners are required to pledge a minimum of four hundred hours of service to the building of their home or the homes of other Habitat homeowners.

The Organization receives support from the local community by enlisting volunteer labor when practical and soliciting donations of land, building materials, and cash necessary in its building efforts. These donations and the cash from the collection of mortgages receivable are used to continue building houses for those in need.

The Organization operates a resale store ("ReStore") as a supporting service to raise funds. The resale store primarily sells construction related materials and household furnishings and receives substantially all its merchandise from donations.

NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted

Net assets which are free of donor-imposed restrictions; all revenues and expenses that are not changes in permanently or temporarily restricted net assets are considered to be unrestricted net assets. In addition, restricted net assets whose restrictions are met in the same reporting period are also considered to be unrestricted net assets.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Temporarily Restricted

Net assets used by the Organization which are limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. The Organization had approximately \$2,547,000 in temporarily restricted net assets as of June 30, 2016.

Permanently Restricted

Net assets used by the Organization which are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets as of June 30, 2016.

CASH AND CASH EQUIVALENTS

All highly liquid cash investments with original maturities of three months or less are considered to be cash equivalents.

RESTRICTED CASH

Restricted cash represents deposits made by future homeowners for the purchase of homes and escrow payments made by current homeowners for property taxes and insurance.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents (deposit and money market accounts) and mortgages. The Organization maintains cash and cash equivalents in what it believes to be high quality financial institutions, which it believes limits its risk. As of June 30, 2016, the Organization had approximately \$3,513,000 of balances in excess of insurance limits covered by the Federal Deposit Insurance Corporation (“FDIC”). Mortgages receivable are secured by real property.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are capitalized when the cost is in excess of \$500 and with a useful life over one year. Property and equipment is recorded at cost or, if donated, at fair value at the date of donation. Major renewals and improvements are capitalized, while repairs and maintenance expenditures are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts and any resulting gains or losses are recognized. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease.

The estimated useful lives of each asset group are as follows:

Asset Group	Years
Buildings	50
Leasehold improvements	10
Office furniture and equipment	3
Computer equipment and software	3
Automobiles	5

INVENTORIES

Substantially all inventories at the resale store are donated. Inventory is recorded at \$150,000 as of June 30, 2016. These amounts are not adjusted for contributions of inventory or subsequent sales. At the time inventory is sold, the items are recorded as revenue without a corresponding cost of goods sold. Accounting principles generally accepted in the United States of America require contributions to be recorded at fair value at the date of receipt in the statement of financial position. At the time of sale, items sold should be reflected in the statement of activities when the revenue is recorded.

IMPAIRMENT OF LONG-LIVED ASSETS

Accounting principles generally accepted in the United States of America require long lived assets (single family homes) to be recorded at the lower of carrying amount or fair value less selling costs (if held for sale), and carrying amount of a property exceeds its fair value (if not held for sale). If the carrying amount of the property exceeds its fair value, an impairment loss should be recognized for the excess and the carrying amount reduced accordingly. The Organization does not have a mechanism in place to timely identify circumstances requiring an impairment analysis. In addition, when the Organization determines that there is impairment, the Organization will write down the asset to the Broward County Property Appraiser's tax assessed value.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF LONG-LIVED ASSETS (CONTINUED)

Also, at times the Organization reacquires property due to owner delinquency. Management of the Organization uses the Broward County Property Appraiser's tax assessed value to record the reacquisition. Tax assessed values may not represent fair value as required by accounting principles generally accepted in the United States of America.

SINGLE FAMILY HOMES

Vacant Land and Construction in Progress

Vacant land and construction in progress are stated at cost and include direct and indirect costs of housing construction, property taxes, and overhead incurred during the development period. Donated land and construction materials are required to be recorded at fair value at the time received. Land and offsite development costs associated with homes under construction are also included in construction in progress. Vacant land and construction in progress are evaluated for impairment if impairment indicators are present. Accounting principles generally accepted in the United States of America require vacant land and construction in progress to be recorded at the lower of its carrying amount or fair value. Determination of fair value when considering impairment may not be in accordance with GAAP. Impairment losses of approximately \$177,000 were recorded during the year ended June 30, 2016 and are presented in the statement of activities and changes in net assets.

Completed Homes Pending Sale

Completed homes represent homes available for sale and are evaluated for impairment if impairment indicators are present. An impairment charge to write-down the carrying value to fair value less costs to sell occurs only if the estimated future undiscounted net cash flows from the homes are less than the carrying amount. In the Organization's case, determination of fair value when considering impairment may not be in accordance with GAAP. There were no impairment losses recorded during the year ended June 30, 2016.

HOMEOWNERS SALES

Homes are sold to qualified buyers at appraised value and the mortgage term is based on the amount the purchaser is able to pay. Consideration received is mortgages receivable which are non-interest bearing. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at 7.48% for the year ended June 30, 2016, based upon prevailing market rates for low-income housing at inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. During the year ended June 30, 2016, twenty-one homes were sold.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MORTGAGES RECEIVABLE

The Organization's mortgages consist of amounts due from homeowners. The Organization performs extensive credit and work history evaluations before the sale of a home. The Organization also has a perfected security interest in all homes they sell. Mortgage receivable balances are stated net of discount and net of an allowance for uncollectible amounts based on management's judgment and analysis of the credit-worthiness of the homeowners, past payment experience, and other relevant factors.

At June 30, 2016, the Organization recorded an allowance for mortgage receivables of approximately \$105,000.

CONTRIBUTIONS

Contributions received with no restrictions or specified uses identified by the donor are included in unrestricted revenue in the statement of activities when received. Contributions received with donor stipulations that limit the use of donated assets are reported as either temporarily or permanently restricted revenue in the statement of activities when received.

When donor restrictions expire or are fulfilled by actions of the Organization, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted revenue in the accompanying statement of activities.

PLEDGES

Pledges represent unconditional promises to give and are recorded at their estimated fair value. As of June 30, 2016, all pledges recorded are expected to be collected during the year ended June 30, 2017.

GRANTS FROM GOVERNMENT AGENCIES

Grants from governmental agencies are recognized as revenue when the grant funds have been expended in accordance with the provisions of the respective agreements.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED GOODS AND SERVICES

Donated services (in kind donations) are recognized as contributions in accordance with FASB ASC No. 958, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of unpaid volunteers have made contributions of their time by providing construction, administrative and fund-raising services to the Organization. Donations of construction materials are received and used in the construction of homes. Accounting principles generally accepted in the United States of America (“GAAP”) require contributions (including donated materials) to be recorded at fair value at the date of receipt. During the year ended June 30, 2016, the Organization recognized in kind donations for professional services, rent, and construction materials of approximately \$16,000, \$24,000 and \$39,000, respectively.

LAND LEASE

The Organization entered into a 99 year land lease agreement during December 2015 to maintain the common area land of the Hallandale Beach Townhome community consisting of approximately 16 homes. The Organization is responsible for all operating expenses on the common area land. During the year ended, June 30, 2016, the Organization recognized approximately \$6,500 of land lease income and \$6,100 of land lease expenses which are included in other income and other expenses, respectively in the accompanying statement of activities and changes in net assets.

FUND-RAISING ACTIVITIES

The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958 “Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Included Fund Raising”. FASB ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions.

Directly identifiable fund-raising expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis. Salaries and other expenses, which are associated with a specific program, are charged directly to that program. Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on the time spent.

INCOME TAXES

The Organization received a determination (via Habitat for Humanity International Inc.) from the Internal Revenue Service indicating that it is exempt from Federal income tax on all income except unrelated business income under Internal Revenue Code Section 501(c) (3); accordingly, no provision for income taxes has been recorded in the accompanying financial statements. For the year ended June 30, 2016, the Organization had no unrelated business income tax resulting from unrelated business income.

The Organization accounts for uncertainty in income taxes in accordance with GAAP, which requires recognition in the accompanying financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization had no material unrecognized tax benefits and no adjustments to its financial position, activities or cash flows were required.

The Organization did not record any interest or penalties on uncertain tax positions in the statement of financial position as of June 30, 2016 or the statement of activities and changes in net assets for the year then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 those estimates.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPARATIVE INFORMATION

The financial statements include certain prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Habitats' financial statements for the year ended June 30, 2015, from which the information was derived. Certain 2015 items have been reclassified in order to conform with the 2016 financial statement presentation.

NOTE 3 – MORTGAGES RECEIVABLE, NET

A home is considered sold when a formal closing transaction has been finalized. At that time, a first non-interest bearing mortgage is given to the homeowner based on the amount the homeowner is able to pay. The Organization records the revenue for the sale at the amount equal to the first mortgage net of imputed interest. If the fair value of the property is greater than the first mortgage, the Organization obtains a second mortgage for the difference of the sales price and the fair value. The second mortgage is to protect the value of the collateral and is not recorded in the books and records of the Organization. At the time the first mortgage is paid in full, the Organization cancels the second mortgage.

As of June 30, 2016, the estimated annual repayment amounts on these mortgage receivable balances along with the unamortized discount were as follows:

For the Year Ending June 30,	Amount
2017	\$ 968,244
2018	959,229
2019	946,569
2020	920,768
2021	891,444
Thereafter	<u>11,817,428</u>
	16,503,682
Less: unamortized discount	8,170,466
Less: allowance for mortgage receivables	<u>105,765</u>
Mortgage Receivable, Net	<u>\$ 8,227,451</u>

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 consist of the following:

Land, building, and improvements	\$ 2,510,641
Office furniture and equipment	77,833
Computer equipment and software	28,231
Vehicles	<u>119,787</u>
	2,736,492
Less: accumulated depreciation	<u>906,084</u>
Property and Equipment, Net	<u>\$ 1,830,408</u>

Depreciation expense on property and equipment held was \$72,099 for the year ended June 30, 2016.

NOTE 5 – SINGLE FAMILY HOMES

Single family homes at June 30, 2016 consist of the following:

Single family homes consist of:	
Land	\$ 2,934,993
Construction in progress	2,944,417
Completed homes pending sale	<u>111,650</u>
	5,991,060
Less impairment allowance on single family homes	<u>177,099</u>
Total	<u>\$ 5,813,961</u>

Potential homeowners must meet certain requirements before they can close on a home. If the home is completed before these requirements are met, then the family is allowed to rent the home while working to meet the requirements. Rent income from unsold homes was approximately \$1,000 for the year ended June 30, 2016. Before closing on a home, potential homeowners must prepay a certain amount of closing costs which are recorded as accrued and other liabilities which approximated \$50,000 at June 30, 2016.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – MORTGAGE PAYABLE, NET

Mortgages payable at June 30, 2016 consist of the following:

Non-interest bearing bank loans due in monthly installments commencing in April 1993, secured by single family homes and mortgage receivables	\$ 44,744
Less: unamortized discount	<u>32,462</u>
Total Mortgages Payable	<u>\$ 12,282</u>

Non-interest bearing mortgages payable have been discounted at 7.48% for the year ended June 30, 2016. Future maturities of mortgages payable are as follows:

For the Year Ending June 30,	Amount
2017	18,691
2018	16,188
2019	<u>9,865</u>
	44,744
Less: unamortized discount	<u>32,462</u>
Mortgages Payable, Net	<u>\$ 12,282</u>

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7 – CONTRIBUTIONS AND GRANTS

Contributions and grants, which are included in the statement of activities and changes in net assets, for the year ended June 30, 2016 consist of the following:

	Unrestricted	Temporarily Restricted	Total
Contributions			
Faith community	\$ 1,038	\$ 56,872	\$ 57,910
Commerce and industry	299,667	2,085,572	2,385,239
Individuals	<u>25,332</u>	<u>2,805</u>	<u>28,137</u>
Total Contributions	<u>326,037</u>	<u>2,145,249</u>	<u>2,471,286</u>
Grants			
Wells Fargo UrbanLIFT	\$ 156,865	\$ --	\$ 156,865
Broward College MLK Day	--	3,250	3,250
Mortgage Settlement Funding	600,000	--	600,000
Gore Family Memorial Foundation	--	25,000	25,000
William R. Watts Foundation	--	10,000	10,000
EverBank	--	40,000	40,000
TD Charitable Foundation	--	5,000	5,000
Homeownership for All	--	5,000	5,000
State Farm	--	5,000	5,000
Bank of America	<u>--</u>	<u>35,000</u>	<u>35,000</u>
Total Grants	<u>756,865</u>	<u>128,250</u>	<u>885,115</u>
Total Contributions and Grants	<u>\$ 1,082,902</u>	<u>\$ 2,273,499</u>	<u>\$ 3,356,401</u>

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 – RESTORE, NET

Resale store revenue and expenses, which is recorded as ReStore, net in the accompanying statement of activities and changes in net assets, for the year ended June 30, 2016 consist of the following:

Sales and Other Receipts	<u>\$ 1,700,085</u>
Expenses	
Salaries and payroll taxes	347,528
Benefits	<u>55,413</u>
Total Personnel Costs	402,941
Office supplies and expense	16,107
Telephone	7,854
Taxes and insurance (escrow refund)	19,213
Truck expense	24,451
Advertising	67,115
Repairs and maintenance	5,726
Bank and credit card fees	23,128
Sanitation	13,258
Utilities	28,802
Other	<u>18,585</u>
Expenses Before Depreciation	<u>627,180</u>
Income before depreciation expense	1,072,905
Depreciation	<u>58,521</u>
Net Resale Store Income	<u><u>\$ 1,014,384</u></u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funds restricted for the construction of specific homes and are included in cash and cash equivalents and promises to give on the statement of financial position as of June 30, 2016.

HABITAT FOR HUMANITY OF BROWARD, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 10 – EMPLOYEE BENEFIT PLANS

The Organization sponsors a defined contribution retirement plan (the “Plan”) covering substantially all of its full-time employees. Employees become eligible for Plan participation after completing 6 months of service. The Organization contributes 3% of eligible employees’ gross compensation to the Plan. All contributions made on behalf of employees become fully vested upon completing 6 months of service. For the year ended June 30, 2016, the Organization contributed approximately \$21,000 to the Plan.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Organization maintains an office lease which expires in February 2017. The Organization also maintains a lease for warehouse space which expires in October 2016 and requires monthly payments of \$1,333.

Rent expense for the year ended June 30, 2016 was approximately \$38,000 (including \$24,000 of in kind contributions).

The future estimated minimum rental payments under the lease are as follows:

For the Year Ending June 30,	Amount
2017	\$ 4,000
Total	\$ 4,000

NOTE 12 – SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through April 24, 2017, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF BROWARD, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Program Services	Management and General	Fundraising	2016 Total	2015 Total
Personnel Costs					
Salaries	\$ 273,356	\$ 407,291	\$ 156,495	\$ 837,142	\$ 801,306
Benefits and taxes	<u>56,383</u>	<u>77,875</u>	<u>34,711</u>	<u>168,969</u>	<u>147,090</u>
Total Personnel Costs	329,739	485,166	191,206	1,006,111	948,396
Expenses Before Depreciation					
Building materials and supplies	3,509,158	--	--	3,509,158	2,229,251
Bad debt expense	46,448	--	--	46,448	129,317
Repairs and maintenance	35,505	--	--	35,505	86,016
Office supplies	23,351	20,937	106,989	151,277	96,378
Other	43,657	11,435	5,716	60,808	96,579
Insurance and taxes	96,741	5,666	2,580	104,987	116,717
Relocation and project	--	--	--	--	550
Rent	30,959	4,798	2,399	38,156	23,988
Professional fees	65,734	14,210	7,105	87,049	166,159
Telephone	6,594	1,883	942	9,419	11,827
Volunteer programs	14,994	--	--	14,994	25,983
Family nurturing	27,630	--	--	27,630	14,009
HFHI contribution	<u>42,212</u>	<u>--</u>	<u>--</u>	<u>42,212</u>	<u>16,700</u>
Total Expenses Before Depreciation	4,272,722	544,095	316,937	5,133,754	3,961,870
Depreciation	<u>13,578</u>	<u>--</u>	<u>--</u>	<u>13,578</u>	<u>7,755</u>
Total Expenses	<u>\$ 4,286,300</u>	<u>\$ 544,095</u>	<u>\$ 316,937</u>	<u>\$ 5,147,332</u>	<u>\$ 3,969,625</u>

See accompanying independent auditors' report.