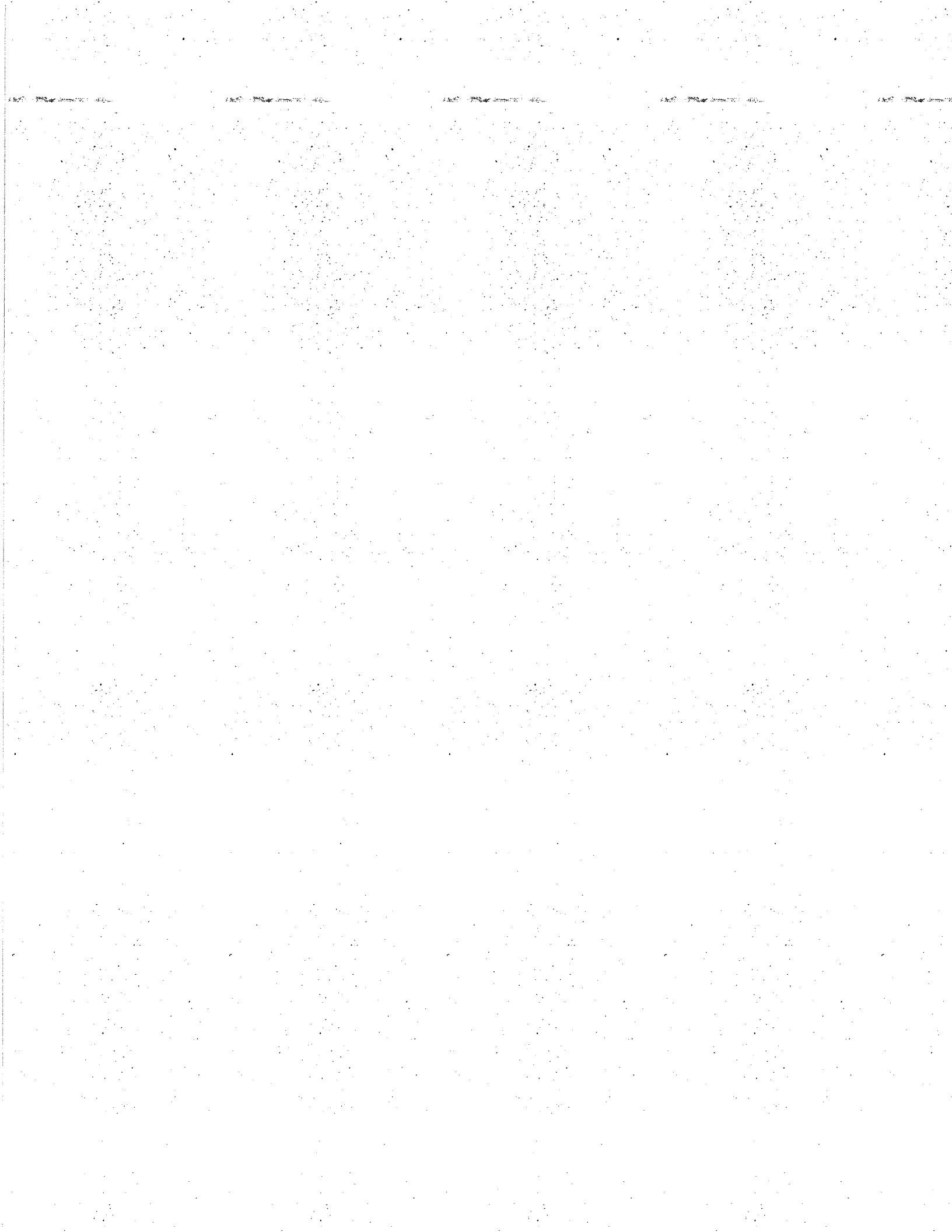


**HABITAT FOR HUMANITY OF
MONROE COUNTY, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

June 30, 2015





Independent Auditors' Report

To the Board of Directors
Habitat for Humanity of Monroe County, Inc.
Bloomington, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Monroe County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Monroe County, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015, on our consideration of Habitat for Humanity of Monroe County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Monroe County, Inc.'s internal control over financial reporting and compliance.

Gauthier & Remondy, LLC

November 12, 2015

HABITAT FOR HUMANITY OF MONROE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

Cash	\$ 904,703
Mortgages receivable (note 5)	3,515,660
Prepaid expenses	10,826
Endowment Fund (note 8)	20,641
Land held for development	1,291,172
Plant and equipment (note 6)	<u>241,715</u>
 Total Assets	 <u>\$ 5,984,717</u>

LIABILITIES

Accounts payable	\$ 50,573
Accrued expenses	67,428
Notes payable (note 7)	300,000
HUD shop notes payable (note 7)	<u>135,134</u>
 Total Liabilities	 <u>553,135</u>

NET ASSETS

Unrestricted net assets	<u>5,431,582</u>
 Total Liabilities and Net Assets	 <u>\$ 5,984,717</u>

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

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

REVENUE AND SUPPORT

Contributions	\$ 914,831
Grant revenue	614,320
Home sales (net of imputed interest)	1,055,785
Merchandise sales	567,126
Interest income	1,777
Miscellaneous income	<u>19,555</u>
Total revenue and support	<u>3,173,394</u>

EXPENSES AND LOSSES

Program services	
Habitat	2,157,367
ReStore	<u>411,444</u>
Total program services	2,568,811
Management and administrative	37,287
Fundraising	<u>132,195</u>
Total expenses and losses	<u>2,738,292</u>
Change in net assets	435,102
Net assets - beginning of year	<u>4,996,480</u>
Net assets - end of year	<u>\$ 5,431,582</u>

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

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

	Program Services			Management and Administrative	Fundraising	Total
	Habitat	Restore	Total Program Services			
Salaries and wages	\$ 526,594	\$ 205,245	\$ 731,839	\$ 25,062	\$ 78,510	\$ 835,411
Temporary help	42,814	-	42,814	1,494	5,476	49,784
Computer support	12,894	3,681	16,575	570	1,849	18,994
Cost of homes sold	3,867	-	3,867	-	-	3,867
Construction supplies	1,260,704	-	1,260,704	-	-	1,260,704
Dues and memberships	-	920	920	-	-	920
Advertising	2,334	17,856	20,190	-	-	20,190
Rental expense	-	77,040	77,040	-	27,191	104,231
Insurance	24,196	7,109	31,305	1,033	2,109	34,447
Mortgage service & bank fees	12,433	-	12,433	414	967	13,814
Office supplies	12,040	4,776	16,816	554	1,089	18,459
Interest expense	-	-	-	-	-	-
Postage	7,610	221	7,831	261	599	8,691
Printing	12,245	2,716	14,960	495	1,039	16,494
Professional fees	47,582	6,898	54,480	1,806	3,921	60,207
Taxes	510	-	510	17	40	567
Repairs and maintenance	3,644	13,950	17,594	567	729	18,889
Travel	27,941	3,136	31,077	1,031	2,273	34,382
Utilities	9,233	10,807	20,040	653	1,063	21,756
Telephone	-	18,849	18,849	602	602	20,052
Training	6,475	1,357	7,832	259	547	8,638
Vehicle expense	7,804	15,916	23,720	768	1,115	25,603
Contributions	105,490	-	105,490	-	-	105,490
Depreciation	19,644	14,873	34,517	1,129	2,003	37,649
Bank Service Fees	6,796	-	6,796	227	529	7,551
Other Expenses	4,516	6,095	10,611	345	546	11,502
Total	\$ 2,157,367	\$ 411,444	\$ 2,568,811	\$ 37,287	\$ 132,195	\$ 2,738,292

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

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

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 435,102
Adjustments to reconcile change in net assets	
Depreciation	37,649
Increase in mortgage receivable	(300,257)
Increase in land held for development	(695,856)
Decrease in accounts payable	(21,114)
Decrease in flexcap note payable deposit	3,000
Decrease in accrued expense	8,461
	<u> </u>
Net Cash Provided by (Used in) Operating Activities	<u>(533,015)</u>

INVESTING ACTIVITIES

Purchase of investment	(20,641)
Purchase of property and equipment	<u>(7,459)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(28,100)</u>

FINANCING ACTIVITIES

Payments on notes payable	(22,813)
Proceeds from notes payable	<u>389,373</u>
Net Cash Provided by (Used in) Financing Activities	<u>366,560</u>
Net change in cash and cash equivalents	(194,555)
Cash and cash equivalents - beginning of year	<u>1,099,258</u>
Cash and cash equivalents - end of year	<u>\$ 904,703</u>
Interest paid	<u>\$ -</u>

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

HABITAT FOR HUMANITY OF MONROE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. NATURE OF OPERATIONS

Habitat for Humanity of Monroe County, Inc. (HFH) is an independent and locally governed tax exempt non-profit Indiana Corporation formed in 1988 for the purpose of providing residential housing for low-income families who have been residents of Monroe County and adjacent counties for at least one year.

HFH works to end poverty housing in Monroe County and adjacent counties by creating opportunities for home ownership in partnership with low-income families and by making safe, decent, affordable housing a matter of community conscience and action. Habitat builds market-quality homes utilizing volunteer labor and sells homes to qualified low-income families for minimal cash down and utilizing 15-25 year non-interest bearing mortgages. Families who purchase homes are identified by the Family Selection Committee who uses predetermined criteria which does not consider race, gender, nationality, age, handicap, religion, marital status or source of personal income. An approved applicant must provide 250 hours of "sweat equity" by participating in a significant amount of labor in its home construction program and/or in some other form of community service. In addition, each buyer must maintain the home as required by the mortgage contract and participate in HFH's nurturing program, which provides pre-purchase and post-purchase homeowner education and counseling.

In addition to home building activities, HFH also operated a retail thrift operation (dba ReStore). ReStore specialized in selling surplus new and used building and home improvement materials, appliances and furniture to the public. ReStore receives donated usable materials from retail businesses, contractors, individuals and other organizations. Costs associated with operation of ReStore are expensed in program-ReStore in the accompanying statement of activities and changes in net assets. All net proceeds from the operation of ReStore help support and enhance HFH's non-profit mission-related activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial records have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. Unrestricted net assets include all assets over which HFH has full discretion as to use. Temporarily restricted net assets include contributions whose use by HFH is limited by donor imposed stipulations either as to use or timing. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets.

Contributions – Contributions and grants received without donor stipulations are reported as unrestricted revenue and net assets. Contributions and grants received with a donor stipulation that limits their use are reported as temporarily restricted revenue and net assets. When a donor 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.

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory – ReStore donated materials are not valued or included in inventory and are reported as net income when sold.

Grants and Mortgages Receivable – Management periodically reviews receivables for collectability. HFH utilizes the allowance method to recognize bad debts.

Assets Held for Development – Assets held for development are reported at cost or if donated, at fair market value at date of donation. Once development is complete, the properties are sold to arranged buyers with selling price based upon a budgeted formula with excess basis expensed as program cost.

Equipment – Equipment is capitalized if greater than \$1,000 and is recorded at cost or fair market value at the date of donation. Depreciation is recognized over estimated useful lives of five years, using the straight-line method.

Rental Properties – Rental property is carried at the original purchase price or fair market value at date of donation plus the cost of rehabilitation. Interest during the construction period is capitalized. Depreciation is recognized using the straight-line method over estimated useful lives of 40 years. HFH reviews its investment in real estate for impairments whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2015.

In-Kind Revenue and Expense – Donations of goods are valued at the estimated cost of purchasing the respective goods or services in the open market. Much of the labor on housing construction as well as fund raising activity is performed by unpaid volunteers. The value of this contributed time has not been included as a part of these financial statements.

Income Taxes – HFH is a tax-exempt organization, as defined by Internal Revenue Code Section 501(c)(3). Management believes that HFH has adequately addressed all relevant tax positions and that there are no material unrecorded tax liabilities. HFH believes it is no longer subject to tax examination for the years prior to 2011.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 the revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Advertising Costs – are expensed as incurred. Costs totaled \$20,190 for the year ending June 30, 2015.

3. CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, HFH considers all liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of money market accounts.

HFH maintains its cash in bank accounts which, at times, may exceed federally insured limits. Approximately \$51,000 of excess deposits existed as of June 30, 2015. HFH has not experienced any losses in its accounts and management believes it is not exposed to any significant credit risks on cash and cash equivalents.

4. FAIR VALUE MEASUREMENT

In accordance with Accounting Standards Codification (ASC) 820 HFH measures its assets and liabilities at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that entities maximize the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

The three levels of inputs used for assets and liabilities on a recurring basis are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Quoted prices for similar assets or liabilities in active markets
- Level 3 – Unobservable inputs for the asset or liability based on the best available information

The fair value of short-term financial instruments, including cash and cash equivalents, prepaid expenses, accrued expenses and accounts payable, approximates the carrying value in the accompanying financial statements due to the short maturity of such instruments.

The fair value of long-term receivables and liabilities approximates the carrying value in the accompanying financial statements based on current borrowing rates.

All methods of assessing fair value result in a general approximation of value and such value may not be realized.

The following table sets forth, by level, within the fair value hierarchy, the HFH's investments at fair value as of June 30, 2015.

	Level 1	Level 2	Level 3	Total
Cash & cash alternatives	\$ 1,185	\$ -	\$ -	\$ 1,185
Mutual funds	10,027	-	-	10,027
Exchange-traded products	9,429	-	-	9,429
Total investments at fair value	<u>\$ 20,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,641</u>

5. MORTGAGES RECEIVABLE

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. Most of the mortgages mature in 18-25 years. The receivable has been discounted using an imputed interest rate of 8% based upon Habitat for Humanity International averages. Interest income is recorded over the lives of the mortgages using the effective interest method. HFH's estimate for allowance of loan losses is zero. HFH has had historical success in collecting and makes every effort for homebuyers to arrange repayment even when experiencing financial difficulties. HFH also believes the homes securing the notes are sufficient collateral to not experience loan losses. Mortgages receivable as of June 30, 2015 were \$5,961,378 and were valued, net of present value amortization of \$2,445,526, at \$3,515,660 on the statement of financial position.

HFH also records a second mortgage on properties sold below market value to protect the value of the sale. These mortgages are valued at \$0 as collection is unlikely and are not included in these financial statements.

6. PROPERTY AND EQUIPMENT

HFH's property and equipment consisted of the following at June 30, 2015

	Cost	Accumulated Depreciation	Net Book Value
Leashold Improvements	\$ 237,829	\$ 54,753	\$ 183,076
Building	75,115	28,548	46,567
Equipment	36,493	36,493	-
Vehicles	123,649	111,577	12,072
Total	<u>\$ 473,086</u>	<u>\$ 231,371</u>	<u>\$ 241,715</u>

Depreciation expense in 2015 totaled \$37,649.

7. NOTES PAYABLE

As of June 30, 2015, notes payable consisted of the following:

On June 1, 2013, HFH obtained a note from Habitat for Humanity International (loan no. 153023) which bears an interest rate of 0%. Monthly payments of \$781 are required. The note matures on September 1, 2021 and is unsecured. The outstanding balance as of June 30, 2015 is \$27,552.

On October 8, 2010, HFH obtained a note from Habitat for Humanity International (note no. 132034) which bears an interest rate of 0%. Monthly payments of \$625 are required. The note matures on January 1, 2017 and is unsecured. The outstanding balance as of June 30, 2015 is \$11,250.

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7. NOTES PAYABLE - Continued

On September 29, 2009, HFH obtained a note from Habitat for Humanity International (loan no. 151039) which bears an interest rate of 0%. Monthly payments of \$364 are required. The note matures on December 29, 2017 and is unsecured. The outstanding balance as of June 30, 2015 is \$2,212.

On September 29, 2011, HFH obtained a note from Habitat for Humanity International (loan no. 152040) which bears an interest rate of 0%. Monthly payments of \$131 are required. The note matures on December 29, 2019 and is unsecured. The outstanding balance as of June 30, 2015 is \$4,748.

On December 4, 2014, HFH obtained a note from Habitat for Humanity International (loan no. 181075) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2020 and is unsecured. The outstanding balance as of June 30, 2015 is \$28,839.

On August 5, 2014, HFH obtained a note from Habitat for Humanity International (loan no. 191035) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2020 and is unsecured. The outstanding balance as of June 30, 2015 is \$2,850.

On August 5, 2014, HFH obtained a note from Habitat for Humanity International (loan no. 192009) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on December 31, 2020 and is unsecured. The outstanding balance as of June 30, 2015 is \$36,338.

On February 15, 2015, HFH obtained a note from Habitat for Humanity International (loan no. 193005) which bears an interest rate of 0%. Monthly payments are not yet required. The note matures on June 30, 2021 and is unsecured. The outstanding balance as of June 30, 2015 is \$21,345.

During February 2015, HFH obtained a loan from an individual which bears an interest rate of 0%. Monthly payments are not required. The note matures February 25, 2018 at which point a balloon payment of \$300,000 is required. The loan is secured by certain business assets. The outstanding balance as of June 30, 2015 is \$300,000.

Scheduled maturities of notes payable are as follows:

Year ending June 30,	
2016	\$ 1,901
2017	15,024
2018	302,773
2019	6,997
2020	65,005
Thereafter	<u>43,434</u>
Total	<u>\$ 435,134</u>

8. ENDOWMENT FUND

During the year the Wylie Foundation gifted an endowment fund to HFH. The fund had deposits totaling \$21,000. The fund consists of mutual funds and exchange-traded products. The funds are invested per the donor's wishes and any expenditures are to be used for programs specified in the gift agreement. As of June 30, 2015, no amount has been appropriated for expenditure. Board is allowed to modify fund is circumstances warrant change.

Activity during the year is as follows:

Beginning balance	\$	-
Contributions		21,000
Apprecation/depreciation		(847)
Investment income		<u>488</u>
Ending balance	\$	<u>20,641</u>

9. IN-KIND CONTRIBUTIONS

Habitat for Humanity received in-kind contributions for services and materials during 2015. The amounts of in-kind contributions for the year are as follows:

Services	\$	38,801
Materials		<u>73,821</u>
Total	\$	<u>112,622</u>

10. LINES OF CREDIT

During the year HFH obtained a line of credit from MainSource Bank with a limit of \$500,000. The note states an interest rate of 2.75% and matures on March 3, 2016. The note is secured by all business assets and no amount was outstanding during the year. As of June 30, 2015, there is no amount outstanding.

On April 16, 2015, HFH renewed a line of credit from Old National Bank with a limit of \$192,191. The note states an interest rate of 5% and matures on April 16, 2016. The note is secured by certain business assets and no amount was outstanding during the year. As of June 30, 2015, there is no amount outstanding.

On April 16, 2015, HFH renewed a line of credit from Old National Bank with a limit of \$90,300. The note states an interest rate of 5% and matures on April 16, 2016. The note is secured by certain business assets and no amount was outstanding during the year. As of June 30, 2015, there is no amount outstanding.

On September 30, 2014, HFH renewed a line of credit from Old National Bank with a limit of \$41,624. The note states an interest rate of 5% and matures on September 30, 2015. The note is unsecured and no amount was outstanding during the year. As of June 30, 2015, there is no amount outstanding. The note was subsequently renewed on September 30, 2015.

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10. LINES OF CREDIT – Continued

On July 8, 2014, HFH renewed a line of credit from Old National Bank with a limit of \$7,700. The note states an interest rate of 5% and matures on July 8, 2015. The note is unsecured and no amount was outstanding during the year. As of June 30, 2015, there is no amount outstanding. The note was subsequently renewed on July 8, 2015.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure through the date of the audit report, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.