

**NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Newnan-Coweta Habitat for Humanity, Inc.
150 Pine Road
Newnan, Georgia 30264

I have audited the accompanying statement of financial position of Newnan-Coweta Habitat for Humanity, Inc. (Habitat) as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Newnan-Coweta Habitat for Humanity, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newnan-Coweta Habitat for Humanity, Inc. as of June 30, 2014, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Guy R. Wilcox, CPA, PC
Tyrone, Georgia
October 29, 2014

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2014

ASSETS

CURRENT ASSETS	
Cash in Bank	\$ 165,667
Temporarily Restricted Cash in Bank	28,569
Construction Materials Inventory	-
Construction in Progress	105,389
Prepaid Expenses	<u>9,530</u>
TOTAL CURRENT ASSETS	<u>309,155</u>
 LONG-TERM ASSETS	
Property, furniture and equipment, net of accumulated depreciation	1,245,874
Mortgage Loans, net of discount	476,826
Mortgage Principal NSP Loans	1,231,846
Land for Development, temporarily restricted	105,558
Land Held for Resale	70,932
Other assets	<u>19,281</u>
TOTAL LONG-TERM ASSETS	<u>3,150,317</u>
TOTAL ASSETS	<u>\$ 3,459,472</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 62,220
Current Portion of Mortgage Payable	<u>29,687</u>
TOTAL CURRENT LIABILITIES	91,907
 LONG-TERM LIABILITIES	
Advances under NSP City of Newnan	1,314,039
Mortgage Payable less current portion	<u>789,204</u>
TOTAL LONG-TERM LIABILITIES	<u>2,103,243</u>
TOTAL LIABILITIES	<u>2,195,150</u>
 NET ASSETS	
Unrestricted	1,224,607
Temporarily Restricted	<u>39,715</u>
TOTAL NET ASSETS	<u>1,264,322</u>
 Total Liabilities and Net Assets	 <u>\$ 3,459,472</u>

The Accompanying Notes are an integral part of these financial statements.

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

SUPPORT AND REVENUE	
Cash Contributions	\$ 127,809
In-kind Contributions	63,545
Grants	30,600
ReStore Sales	380,860
Mortgage Loan Discount Amortization	33,668
Gain on sale of Assets	56,313
Other Revenue	30,780
Interest	123
Total Revenue, Gains and Other Support	723,698
Satisfaction of Program Restrictions	215,983
Total Support and Revenue	939,681
EXPENSES	
Program services	277,887
Management and general	181,551
Fundraising & ReStore	286,952
Total Expenses	746,390
Increase in unrestricted net assets	193,291
Changes in Temporarily Restricted Net Assets	
Cash Contributions and Grants	(55,377)
Net assets released from restrictions	(160,606)
Decrease in temporarily restricted net assets	(215,983)
Change in Net Assets	(22,692)
Net Assets, beginning of year	1,287,014
Net assets, end of year	\$ 1,264,322

The Accompany Notes are an integral part of these financial statements.

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Program Services	Management & General	ReStore & Fund Raising	Total
Salaries and Benefits	\$ 125,287	\$ 63,434	\$ 147,861	\$ 336,582
Mortgage Discounts	80,389	-	-	80,389
Bank Fees	1,738	-	5,710	7,448
Depreciation	9,245	6,861	18,911	35,017
Dues and Subscriptions	3,840	-	37	3,877
Donation to Affiliate	2,500	-	-	2,500
Insurance	9,103	14,258	14,868	38,229
Interest Expense	3,170	8,400	28,786	40,356
Office Expenses	473	30,158	4,516	35,147
Printing and Postage	-	2,895	-	2,895
Payroll Taxes	9,305	4,753	11,311	25,369
Professional Fees	-	32,333	-	32,333
Publicity	9,941	-	-	9,941
Repairs	16,969	2,802	10,522	30,293
Taxes and Licenses	-	1,446	-	1,446
Training & Development	2,539	-	1,960	4,499
Travel & Entertainment	653	-	643	1,296
Utilities and Occupancy	928	13,858	32,514	47,300
Vehicle Expenses	1,807	333	9,313	11,453
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 277,887	\$ 181,551	\$ 286,952	\$ 746,390

The Accompanying Notes are an integral part of these financial statements.

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

Operating Activities:	
Change in Net Assets	<u>\$ (22,662)</u>
Adjustments to reconcile increase in net assets to net cash:	
Depreciation	35,017
Decrease in Inventory	-
Increase in prepaid expenses	(1,954)
Decrease in Accounts Payable and Accrued Expenses	(23,301)
Increase in Construction In Progress	(8,972)
Increase in Land Held for Resale or Development	(51,115)
Decrease in Other Assets	390
Total adjustments	<u>(49,935)</u>
Net cash used for operating activities	<u>(72,597)</u>
Investing Activities	
Mortgages Issued, net of discount and payments	(45,706)
Purchase of Property and Equipment	(47,684)
Net Cash used by investing activities	<u>(93,390)</u>
Financing activities:	
Advances from NSP Program	50,070
Principal payments on notes payable	(27,774)
Net Cash Provided by financing activities	<u>22,296</u>
Net decrease in cash	(143,691)
Cash, beginning of year	<u>331,927</u>
Cash, end of year	<u>\$ 194,236</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest	<u>\$ 40,356</u>
Discount on non-interest bearing notes	<u>\$ 9,537</u>
Issuance of non-interest mortgage loans	<u>\$ 59,395</u>
Land received as In-Kind Contribution	<u>\$ -</u>

The Accompany Notes are an integral part of these financial statements.

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A – ORGANIZATION AND PURPOSE

Newnan-Coweta Habitat for Humanity, Inc. (“HABITAT”) is a not-for-profit corporation and was incorporated January 13, 1993. HABITAT is an affiliate of Habitat for Humanity International, Inc. (“Habitat International.”), a nondenominational Christian not-for-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.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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 affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates

Subsequent events have been evaluated through October 29, 2014 the date of the financial statements were available to be issued.

A summary of the significant accounting policies of HABITAT applied in the preparation of the accompanying financial statements follows.

Financial Statement Presentation

HABITAT presents its financial statements in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities (ASC 958). Under ASC 958, HABITAT’s contributions received, including unconditional promises to give, must be recognized as revenues in the period received at their fair values. Under ASC 958, HABITAT is required to report information regarding its financial position and activities according to three classes of net revenues and assets: unrestricted net revenues and assets, temporarily restricted net revenues and net assets, and permanently restricted net revenues and net assets. In addition, HABITAT is required to present a statement of cash flows and to disclose information about functional expenses.

Cash and Cash Equivalents

HABITAT considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Temporarily restricted cash consists of cash restricted for specific purposes including escrowed cash received to pay mortgage holder’s insurance and taxes. These funds are kept in separate cash accounts.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages which are secured by real estate and payable in monthly installments of the life of the mortgage. Every effort is made to assist homeowners who have become delinquent in the 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 deeds accepted in lieu of foreclosure may be sold directly on the open market, or refurbished and sold to other families in need of decent, affordable housing. Management closely monitors outstanding balances and writes off, as of year-end, all balances deemed uncollectible.

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

HABITAT inventory consists of donated or purchased building materials for use in construction in progress. Inventory is recorded at the lower of cost or fair market value.

Supplemental Disclosure of Cash Information

HABITAT maintains its cash balances in various financial institution accounts, which at times may exceed federally insured limits. HABITAT has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

Contributions

HABITAT has also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made, whereby 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 unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services

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.

Transfers to Homeowners

Transfers 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% to 9% based upon prevailing market rates at the inception of the mortgages. Discounts are amortized using the straight-line method over the lives of the mortgages. Mortgages made under the NSP Program associated with the City of Newnan are not discounted and the carrying amount of the Mortgage Receivable equals the amount payable back to the program

Property and Equipment

Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Donated Property is recorded at fair market value at the date of the gift. Depreciation and amortization are computed using straight-line and accelerated methods over the estimated useful lives of the respective assets from 3 to 39 years.

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

HABITAT is a not-for-profit organization that has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

FASB ASC 740, Income Taxes (ASC 740), requires the use of the two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The cumulative effect of initially adopting ASC 740 is to record an adjustment to opening assets in the year of adoption and should be presented separately. Only tax positions that meet the more likely than not recognition threshold at the effective date may be recognized upon adoption of ASC 740. The adoption of this accounting standard has not had a material impact on HABITAT's financial statements.

Management does not believe the HABITAT has any material uncertain tax positions at June 30, 2014; however, HABITAT's federal and state income tax returns for the years ended June 30, 2013, 2012 and 2011 are still subject examination by relevant taxing authorities.

Home Construction Costs

Costs incurred in conjunction with home construction are capitalized until the completion of each home. As of June 30, 2014, HABITAT was in substantial process on 7 homes.

Credit Risk – Mortgage Loans Receivable

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 this geographic area.

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 effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE C – PROPERTY AND EQUIPMENT

Property, furniture and equipment are carried at cost. Donated property and equipment is reflected as In-kind support at its estimated value at the date of receipt. Depreciation is computed principally using the straight-line and accelerated methods over the estimated useful lives of the assets ranging from 3 to 39 years.

	Estimated Useful Life		
Office, Warehouse Building	39 years	\$	887,112
Land			433,920
Furniture and equipment	3 – 7 years		87,495
Total property and equipment			1,408,527
Less accumulated depreciation			(162,653)
Property and equipment, net		\$	1,245,874

Depreciation expense for the year ended June 30, 2014 was \$32,874.

NOTE D – MORTGAGES RECEIVABLE

The components of mortgages receivable are as follows

Mortgages Receivable	\$ 785,601
Discount for zero interest rate	308,775
Net Carrying Value	\$ 476,846
 Mortgages Receivable held under NSP program	 \$ 1,231,846

At June 30, 2014, mortgages receivable mature as follows:	Amount
2015	\$ 40,293
2016	40,293
2017	40,293
2018	40,293
2019	40,293
Thereafter	1,507,227
Total	\$ 1,708,692

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE E – NOTES PAYABLE

HABITAT has a note payable to a financial institution secured by land and building. The note requires principal and interest payments of \$5,662 and matures in June 2022. Interest accrues at 4.75. The following table represents annual maturities:

June 30	Amount
2015	\$ 29,687
2016	\$ 31,187
2017	\$ 32,703
2018	\$ 34,291
2019	\$ 35,877
Thereafter	\$ 655,146

In addition, HABITAT has an arrangement with the City of Newnan as a “developer” of property pursuant to a Federal Grant under Title III of Division B of the Housing and Economic Recovery Act, 2008, as amended and commonly referred to as the Neighborhood Stabilization Program (NSP). Under this arrangement, the City of Newnan has made available a revolving line of credit not to exceed \$1,506,987 for the purpose of acquiring, rehabilitating, and selling NSP properties to Qualified Families at no profit pursuant to purchase money mortgage at 0% interest. The contract provides certain reimbursements for contractual project delivery costs and Georgia Department of Community Affairs approved overhead reimbursements.

The contract is dated February 22, 2014 and has been extended until completion.

NOTE F – FAIR VALUE MEASUREMENTS

HABITAT adopted SFAS No. 157, “Fair Value Measurements,” which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices to unobservable inputs (level 3 measurements) The three levels of the fair value hierarch under FASB Statement No. 157 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or, inputs that are derived principally from, or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. There were no level 3 investments.

The asset’s or liability’s fair value measurement level within the fair value hierarch is based on the lowest of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table set forth by level, within the fair value hierarchy, the entity’s assets at fair value as of June 30, 2014.

	Level 1		Level 2		Total
Mortgages Receivable	\$ -	\$	476,827	\$	476,827

