

Newnan-Coweta Habitat for Humanity, Inc.

FINANCIAL STATEMENTS

June 30, 2016

with
Auditor's Report

Newnan-Coweta Habitat for Humanity, Inc.

TABLE OF CONTENTS

June 30, 2016

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newnan-Coweta Habitat for Humanity, Inc.

We have audited the accompanying financial statements of Newnan-Coweta Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 controls 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 of 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 controls relevant to the Organization'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 Organization'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 opinions.

Opinion

In our 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, 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.

Geeslin Group LLC

GEESLIN GROUP LLC

Peachtree City, Georgia
September 16, 2016

Newnan-Coweta Habitat for Humanity, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

CURRENT ASSETS	
Cash in bank	\$ 79,641
Temporarily restricted cash in bank	18,153
Mortgage loans, net of discount, current maturities	37,458
Mortgage principal NSP loans, current maturities	80,008
Construction in progress	61,495
Prepaid expenses	20,425
Total current assets	<u>297,180</u>
LONG-TERM ASSETS	
Property, furniture and equipment, net of accumulated depreciation	1,195,195
Mortgage loans, net of discount, less current maturities	449,345
Mortgage principal NSP loans, less current maturities	1,113,071
Land held for resale	85,711
Other assets	4,292
Total long-term assets	<u>2,847,614</u>
TOTAL ASSETS	<u><u>\$ 3,144,794</u></u>
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 51,802
Current portion of mortgage payable	32,703
Total current liabilities	<u>84,505</u>
LONG-TERM LIABILITIES	
Advances under NSP City of Newnan	1,267,777
Mortgage payable, less current portion	726,573
Total long-term liabilities	<u>1,994,350</u>
TOTAL LIABILITIES	<u>2,078,855</u>
NET ASSETS	
Unrestricted	1,047,786
Temporarily restricted	18,153
TOTAL NET ASSETS	<u>1,065,939</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,144,794</u></u>

See accompanying notes.

Newnan-Coweta Habitat for Humanity, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

SUPPORT AND REVENUE	
Cash contributions	\$ 29,440
In-kind contributions	5,469
Grants	20,515
ReStore sales	418,612
Mortgage loan discount amortization	39,628
Loss on sale of homes	(21,708)
Other revenue	16,054
Total revenue, gains and other support	<u>508,010</u>
Satisfaction of program restrictions	<u>108,407</u>
Total support and revenue	<u>616,417</u>
FUNCTIONAL EXPENSES	
Program services	521,185
Management and general	141,982
Fundraising	34,454
Total Expenses	<u>697,621</u>
Decrease in unrestricted net assets	<u>(81,204)</u>
Changes in Temporarily Restricted Net Assets	
Cash contributions and grants	94,908
Net assets released from restrictions	<u>(108,407)</u>
Decrease in temporarily restricted net assets	<u>(13,499)</u>
Decrease in net assets	<u>(94,703)</u>
Net assets, beginning of year	<u>1,160,642</u>
Net assets, end of year	<u>\$ 1,065,939</u>

See accompanying notes.

Newnan-Coweta Habitat for Humanity, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 282,323	\$ 40,207	\$ 27,096	\$ 349,626
Mortgage discounts	37,012	-	-	37,012
Bank fees	6,058	887	42	6,987
Depreciation	29,550	4,719	-	34,269
Dues and subscriptions	8,806	-	-	8,806
Donation to affiliate	920	-	-	920
Insurance	31,232	10,387	604	42,223
Interest expense	34,623	2,848	-	37,471
Office expenses	268	26,536	-	26,804
Printing and postage	1,868	1,869	-	3,737
Payroll taxes	21,146	3,012	2,030	26,188
Professional fees	-	40,372	-	40,372
Publicity	9,585	721	-	10,306
Repairs	10,836	-	-	10,836
Training and development	1,597	-	-	1,597
Travel and entertainment	978	-	-	978
Utilities and occupancy	31,442	9,929	-	41,371
Vehicle expenses	10,301	248	215	10,764
Tools	1,857	-	-	1,857
Outside contractors	783	247	-	1,030
Fundraising event costs	-	-	4,467	4,467
	<u>\$ 521,185</u>	<u>\$ 141,982</u>	<u>\$ 34,454</u>	<u>\$ 697,621</u>

See accompanying notes.

Newnan-Coweta Habitat for Humanity, Inc.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

Operating Activities:	
Change in net assets	\$ (94,703)
Adjustments to reconcile increase in net assets to net cash:	
Depreciation	34,269
Gain on the sale of equipment	(660)
Change in:	
Mortgages issued, net of discount and payments	27,993
Construction in progress	114,411
Prepaid expenses	(10,989)
Land held for resale or development	(76,940)
Other assets	(2,920)
Accounts payable and accrued expenses	4,719
Net cash used by operating activities	<u>(4,820)</u>
Investing Activities:	
Purchase of property and equipment	(18,646)
Proceed from sale of equipment	700
Net cash used by investing activities	<u>(17,946)</u>
Financing activities:	
Increase in NSP Program, net of payments	20,338
Principal payments on notes payable	(30,473)
Net cash used for financing activities	<u>(10,135)</u>
Net decrease in cash	(32,901)
Cash, beginning of year	<u>130,695</u>
Cash, end of year	<u>\$ 97,794</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest	<u>\$ 37,470</u>
Discount on non-interest bearing notes	<u>\$ 39,591</u>
Issuance of non-interest mortgage loans	<u>\$ 39,588</u>

See accompanying notes.

Newnan-Coweta Habitat for Humanity, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE A – NATURE OF ORGANIZATION

Organization: Newnan-Coweta Habitat for Humanity, Inc. (“the Organization”) is a nonprofit organization and was incorporated January 13, 1993. The Organization is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a nondenominational Christian nonprofit 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, the Organization is primarily and directly responsible for its own operations.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation: The Organization’s accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all cash investments and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments: Cash and cash equivalents, accounts payable and accrued expenses are carried at amounts which approximate their fair value due to the short-term nature of these instruments.

Contributions: The Organization receives support from individuals, corporations and other nonprofit organizations. Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor. Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the earlier of the time funds/assets are received or evidence of a pledge is verifiable. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. The Organization had no contributions receivable at June 30, 2016.

Newnan-Coweta Habitat for Humanity, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE B - SIGNIFICANT ACCOUNTING POLICIES – Continued

Donated Services: A substantial number of volunteers have made significant contributions of their time to the Organization's programs 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.

Net Assets: Net assets and changes therein are classified and reported as follows:

Permanently Restricted Net Assets – Permanently restricted net assets represent the historical dollar amounts of gifts, including pledges and trusts, subject to donor-imposed stipulations to be invested in perpetuity, and only the income may be available for program operations.

Temporarily Restricted Net Assets – Temporarily restricted net assets are comprised of gifts, including pledges and trusts, as well as income and gains that can be expended, but for which restrictions have not yet been met. Such restrictions include purpose restrictions wherein donors have specified the purpose for which the net assets are to be spent or time restrictions are imposed or implied by the nature of the gift. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released due to satisfaction of program restrictions.

Unrestricted Net Assets – Unrestricted net assets are all the remaining net assets of the Organization. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and purposes specified in its articles of incorporation or bylaws and any limits resulting from contractual agreements.

Income Tax Status: The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is required. The Organization believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements during the year ended June 30, 2016 or any tax year still open to taxing authorities.

Property and Equipment: The Organization capitalizes all expenditures for property and equipment in excess of \$2,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation, \$34,269 during the year ended June 30 2016, is provided over the estimated useful lives, 3 – 39 years, of the respective assets on a straight-line basis.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Newnan-Coweta Habitat for Humanity, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE B - SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Allocation of Expenses: The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain expenses have been allocated among programs and supporting services receiving benefit. The allocation has been made based on management's best estimate of the actual resources used in those areas.

Subsequent Events: Subsequent events have been evaluated by management through September 16, 2016, which is the date that the financial statements were available to be issued.

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 the Organization 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.

Supplemental Disclosure of Cash Information: The Organization maintains its cash balances in various financial institution accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

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.

Home Construction Costs: Costs incurred in conjunction with home construction are capitalized until the completion of each home. As of June 30, 2016, the Organization was in substantial process on 1 home constructed, 1 home under renovation and 3 homes under critical repairs.

Credit Risk – Mortgage Loans Receivable: The Organization'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.

Reclassifications: The presentation of certain financial statement items has been reclassified from the prior year. There has been no adjustment to total net assets of the Organization from these reclassifications.

Newnan-Coweta Habitat for Humanity, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE C – PROPERTY AND EQUIPMENT

Property, furniture and equipment as of June 30, 2016 is as follows:

Office and warehouse building	\$ 887,027
Land	433,920
Furniture and equipment	<u>100,919</u>
Total property and equipment	1,421,866
Less accumulated depreciation	<u>(226,671)</u>
Property and equipment, net	<u>\$ 1,195,195</u>

NOTE D – MORTGAGES RECEIVABLE

The components of mortgages receivable are as follows:

Mortgages Receivable	\$ 798,527
Discount for zero interest rate	<u>(311,724)</u>
Net Carrying Value	<u>\$ 486,803</u>
Mortgages Receivable held under NSP program	<u>\$ 1,193,079</u>

At June 30, 2016, mortgages receivable mature as follows:	Amount
2017	\$ 117,466
2018	117,021
2019	115,996
2020	114,302
2021	113,012
Thereafter	<u>1,102,085</u>
Total	<u>\$ 1,679,882</u>

NOTE E – NOTES PAYABLE

The Organization 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.

Newnan-Coweta Habitat for Humanity, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE E – NOTES PAYABLE – Continued

The following table represents annual maturities:

June 30	Amount
2017	\$ 32,703
2018	34,290
2019	35,955
2020	37,701
2021	39,531
Thereafter	609,096
	<u>\$ 789,276</u>

In addition, the Organization 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.

NOTE F – FAIR VALUE MEASUREMENTS

The Organization 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. Mortgages receivable are deemed to be Level 2 investments.

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.