

**NEWNAN-COWETA HABITAT FOR HUMANITY, INC.  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**GUY R. WILCOX  
CERTIFIED PUBLIC ACCOUNTANT  
2270 CASTLE LAKE DRIVE  
TYRONE, GEORGIA 30290  
PHONE/FAX: (770) 632-9933**

**NEWNAN-COWETA HABITAT FOR HUMANITY, INC.**  
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**YEAR ENDING JUNE 30, 2015**

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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 financial statements of Newnan-Coweta County Habitat for Humanity, Inc.. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015 and the related statement 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **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, 2015, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Guy R. Wilcox, CPA, PC  
Tyrone, Georgia  
August 31, 2015

**NEWNAN-COWETA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2015**

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash in Bank	\$ 99,043
Temporarily Restricted Cash in Bank	31,652
Construction Materials Inventory	-
Construction in Progress	175,906
Prepaid Expenses	9,435
	316,036
 <b>TOTAL CURRENT ASSETS</b>	
 <b>LONG-TERM ASSETS</b>	
Property, furniture and equipment, net of accumulated depreciation	1,210,859
Mortgage Loans, net of discount	474,817
Mortgage Principal NSP Loans	1,233,058
Land for Development, temporarily restricted	-
Land Held for Resale	8,771
Other assets	1,372
	2,928,877
<b>TOTAL LONG-TERM ASSETS</b>	<b>2,928,877</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,244,913</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Accounts Payable and Accrued Expenses	\$ 47,083
Current Portion of Mortgage Payable	31,225
	78,308
<b>TOTAL CURRENT LIABILITIES</b>	<b>78,308</b>
 <b>LONG-TERM LIABILITIES</b>	
Advances under NSP City of Newnan	1,247,439
Mortgage Payable less current portion	758,524
	2,005,963
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,005,963</b>
<b>TOTAL LIABILITIES</b>	<b>2,084,271</b>
 <b>NET ASSETS</b>	
Unrestricted	1,128,990
Temporarily Restricted	31,652
	1,160,642
<b>TOTAL NET ASSETS</b>	<b>1,160,642</b>
 <b>Total Liabilities and Net Assets</b>	 <b>\$ 3,244,913</b>

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

NEWNAN-COWETA HABITAT FOR HUMANITY, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

SUPPORT AND REVENUE	
Cash Contributions	\$ 90,856
In-kind Contributions	14,798
Grants	51,500
ReStore Sales	400,482
Mortgage Loan Discount Amortization	41,361
Gain (Loss) on Sale of Homes	(76,987)
Other Revenue	20,558
Interest	-
Total Revenue, Gains and Other Support	542,568
Satisfaction of Program Restrictions	61,437
Total Support and Revenue	604,005
EXPENSES	
Program services	508,323
Management and general	132,711
Fundraising	34,699
Total Expenses	675,733
Decrease in unrestricted net assets	(71,728)
Changes in Temporarily Restricted Net Assets	
Cash Contributions and Grants	52,374
Net assets released from restrictions	(61,437)
Decrease in temporarily restricted net assets	(9,063)
Change in Net Assets	(80,791)
Net Assets, beginning of year	1,241,433
Net assets, end of year	\$ 1,160,642

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, 2015**

	Program Services	Management & General	Fundraising	Total
Salaries and Benefits	\$ 238,513	\$ 33,973	\$ 22,920	\$ 295,406
Mortgage Discounts	32,309	-	-	32,309
Bank Fees	6,049	767	43	6,859
Depreciation	30,730	4,907	-	35,637
Dues and Subscriptions	7,106	-	-	7,106
Donation to Affiliate	5,025	-	-	5,025
Insurance	30,279	10,088	585	40,952
Interest Expense	35,955	2,847	-	38,802
Office Expenses	258	25,766	-	26,024
Printing and Postage	1,207	1,227	-	2,434
Payroll Taxes	18,128	2,718	1,753	22,599
Professional Fees	-	29,874	-	29,874
Publicity	6,563	495	-	7,058
Repairs	17,727	-	-	17,727
Taxes and Licenses	442	175	-	617
Training & Development	4,318	-	-	4,318
Travel & Entertainment	652	-	-	652
Utilities and Occupancy	32,198	10,248	-	42,446
Vehicle Expenses	8,464	206	175	8,845
Tools	2,874	-	-	2,874
Outside Contractors	29,526	9,420	-	38,946
Fundraising Event Costs	-	-	9,223	9,223
	<u>\$ 508,323</u>	<u>\$ 132,711</u>	<u>\$ 34,699</u>	<u>\$ 675,733</u>

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, 2015

Operating Activities:	
Change in Net Assets	\$ (80,791)
Adjustments to reconcile increase in net assets to net cash:	
Depreciation	35,637
Decrease in Inventory	-
Decrease in prepaid expenses	95
Decrease in Accounts Payable and Accrued Expenses	(13,541)
Increase in Construction In Progress	(70,518)
Decrease in Land Held for Resale or Development	167,719
Decrease in Other Assets	17,909
Total adjustments	137,301
Net cash provided from operating activities	56,510
Investing Activities	
Mortgages Issued, net of discount and payments	(798)
Purchase of Property and Equipment	(622)
Net Cash used for investing activities	(1,420)
Financing activities:	
Reductions on NSP Program	(89,488)
Principal payments on notes payable	(29,143)
Net Cash Used for financing activities	(118,631)
Net decrease in cash	(63,541)
Cash, beginning of year	194,236
Cash, end of year	\$ 130,695
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for interest	\$ 38,802
Discount on non-interest bearing notes	\$ 18,473
Issuance of non-interest mortgage loans	\$ 66,288
Land received as In-Kind Contribution	\$ -

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

**NEWNAN-COWETA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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 August 31, 2015 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, 2015

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**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, 2015**

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**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' financial statements.

Management does not believe the HABITAT has any material uncertain tax positions at June 30, 2015; 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, 2015, HABITAT was in substantial process on 1 home constructed, 1 home under renovation and 3 homes under critical repairs.

**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, 2015

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**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		88,117	
Total property and equipment			1,409,149	
Less accumulated depreciation			(198,290)	
Property and equipment, net		\$	1,210,859	

Depreciation expense for the year ended June 30, 2015 was \$35,637.

**NOTE D – MORTGAGES RECEIVABLE**

The components of mortgages receivable are as follows

Mortgages Receivable	\$ 789,158
Discount for zero interest rate	314,341
Net Carrying Value	\$ 474,817
 Mortgages Receivable held under NSP program	 \$ 1,233,058

At June 30, 2015, mortgages receivable mature as follows:	Amount
2016	\$ 138,169
2017	136,506
2018	135,626
2019	134,189
2020	131,667
Thereafter	1,031,718
Total	\$ 1,707,875

**NEWNAN-COWETA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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	\$ 31,225
2016	\$ 32,741
2017	\$ 33,613
2018	\$ 35,997
2019	\$ 37,745
Thereafter	\$ 618,428

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, 2015.

	Level 1	Level 2	Total
Mortgages Receivable	\$ -	\$ 474,817	\$ 474,817

