

**HABITAT FOR HUMANITY OF  
LAKE CITY/COLUMBIA COUNTY, INC.**

**FINANCIAL STATEMENTS**

**June 30, 2016**



**Powell & Jones**  
Certified Public Accountants

**HABITAT FOR HUMANITY OF  
LAKE CITY/COLUMBIA COUNTY, INC.  
FINANCIAL STATEMENTS  
June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Officers and Board  
Habitat for Humanity of Lake City/Columbia County, Inc.  
Lake City, Florida

We have audited the accompanying financial statements of Habitat for Humanity of Lake City/Columbia County, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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. 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 Lake City/Columbia County, 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.

POWELL & JONES  
Certified Public Accountants  
December 29, 2016

**HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2016

**ASSETS**

Current assets	
Cash	\$ 48,896
Investments	90,253
Assets held in escrow	4,051
Mortgage notes receivable net of discounts, due in one year	12,950
Total current assets	<u>156,150</u>
Non-current assets	
Mortgage notes receivable net of discounts, due after one year	197,305
Inventory	68,276
Property	138,617
Equipment	808
Less: accumulated depreciation	<u>(11,332)</u>
Total other non-current assets	<u>393,674</u>
Total assets	<u><u>\$ 549,824</u></u>

**LIABILITIES**

Escrow funds payable	\$ 4,051
Deposit	500
Total liabilities	<u>4,551</u>

**NET ASSETS**

Unrestricted	525,887
Temporarily restricted	<u>19,386</u>
Total net assets	<u>545,273</u>
Total liabilities and net assets	<u><u>\$ 549,824</u></u>

**HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Support			
Donations	\$ 16,063	\$ 210	\$ 16,273
Total support	<u>16,063</u>	<u>210</u>	<u>16,273</u>
Revenue			
Sale of homes/land	68,502	-	68,502
Interest income	105	-	105
Rental income	15,925	-	15,925
Other income	64	-	64
Total revenue	<u>84,596</u>	<u>-</u>	<u>84,596</u>
Total support and revenue	<u>100,659</u>	<u>210</u>	<u>100,869</u>
 <b>EXPENSES</b>			
Program services	94,579	-	94,579
General and administrative	8,214	-	8,214
Fund-raising expenses	52	-	52
Total expenses	<u>102,845</u>	<u>-</u>	<u>102,845</u>
 Change in net assets	(2,186)	210	(1,976)
 Net assets, beginning of year	<u>528,073</u>	<u>19,176</u>	<u>547,249</u>
Net assets, end of year	<u>\$ 525,887</u>	<u>\$ 19,386</u>	<u>\$ 545,273</u>

See notes to the financial statements

**HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2016

	Program Services	Supporting Services		Totals
		General and Administrative	Fundraising	
Operating expenses				
Cost of home/land sales	\$ 76,972	\$ -	\$ -	\$ 76,972
Fees and charges	-	155	-	155
Dues and subscriptions	1,948	-	-	1,948
Insurance	2,880	-	-	2,880
Marketing Expense	200	-	-	200
Advertising	711	-	-	711
Office expense	186	-	-	186
Maintenance and repair	3,524	-	-	3,524
Taxes	763	-	-	763
Accounting	-	3,000	-	3,000
Storage	600	-	-	600
Supplies	475	-	-	475
Communications	-	737	-	737
Training	-	1,550	-	1,550
Rental expense	901	-	-	901
Property tax	877	-	-	877
Other expenses	-	2,772	52	2,824
Total operating expenses	<u>90,037</u>	<u>8,214</u>	<u>52</u>	<u>98,303</u>
Total expenses before				
depreciation	90,037	8,214	52	98,303
Depreciation	4,542	-	-	4,542
Total expenses	<u>\$ 94,579</u>	<u>\$ 8,214</u>	<u>\$ 52</u>	<u>\$ 102,845</u>

**HABITAT FOR HUMANITY OF LAKE CITY/COLUMBIA COUNTY, INC**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Support and revenues collected	
Donations	\$ 16,273
Rental income	15,925
Other income	64
Interest income	105
Proceeds from sales	24,270
Payments for expenses	
Suppliers and charitable expenses	(25,873)
General and administrative	(5,113)
Net cash provided by operating activities	<u>25,651</u>

Cash and cash equivalents, beginning of year	<u>117,549</u>
Cash and cash equivalents, end of year	<u><u>\$ 143,200</u></u>

Cash and cash equivalents, classified as	
Current assets	\$ 139,149
Restricted assets	4,051
Total cash and cash equivalents	<u><u>\$ 143,200</u></u>

Decrease in net assets	<u>\$ (1,976)</u>
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Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	4,542
Decrease in inventory	70,066
Decrease in mortgages receivable	1,392
Property repossession	(49,617)
Increases in escrow deposits	1,244
Total adjustments	<u>27,627</u>
Net cash provided by operating activities	<u><u>\$ 25,651</u></u>

**HABITAT FOR HUMANITY OF  
LAKE CITY/COLUMBIA COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Purpose - Habitat for Humanity of Lake City/Columbia County, Inc. (Habitat or the Organization) is a non-profit organization providing affordable housing for low income families in North Florida. The Organization is an affiliate of Habitat for Humanity International (HFHI). As provided in its Articles of Incorporation dated July 26, 2001, the primary purpose of this organization is to witness and implement the gospel of Jesus Christ in Florida and throughout the United States by working with economically disadvantaged people to help them create a better human habitat in which to live and work.

Financial Statement Presentation - The Organization follows Statement of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, "Not-for-Profit organizations." Under FASB ASC 958, the Organization is required to report Information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

The Organization also follows FASB ASC 958, "Accounting for Contributions Received and Contributions Made." In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements of the Organization are prepared using the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of the organization's funds are included on the statement of financial position. The statement of activities presents increases (e.g., revenues and support) and decreases (e.g., expenses) in the net total assets.

The cost of providing the programs of the Organization have been detailed in the statement of functional expenses and summarized on a functional basis in the statement of activities. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

**Revenue Recognition**

Contributions are recognized as revenue when the gifts' underlying promises are received by Habitat. Habitat reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time period or a specific purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

“Sale of homes” represents homes built by Habitat. When homes are sold to qualified buyers who finance the purchase, the resulting mortgage notes are zero-interest bearing and discounted based upon prevailing market rates at the inception of the mortgages. The gross sale amount is included as the sale of home in the statement of activities and the applicable discount from this note is presented as the mortgage discount amortization in the statement of activities. When homes or land are sold to buyers in the form of a cash sale, the gross sale amount is included in the sale of homes and land in the statement of activities. In the year ended June 30, 2016, there were no homes or land sold to buyers in the form of a cash sale. Habitat recognizes the income from the sale of homes on the completed contract method when home closings occur.

Habitat accounts for grants and contracts as exchange transactions. Revenue is recognized as an increase in the statement of activities as stipulated performance is executed, or as expenditures are incurred in accordance with applicable agreements under expenditure reimbursement contracts. A receivable is recorded to the extent contract revenue exceeds payment received advances in excess of costs incurred are deferred and recognized as revenue when the related expense is incurred.

Support arising from donated ,or in-kind, goods, property , and services is recognized in the financial statements at its fair value. GAAP requires recognition of in-kind services, if such services (1) create or enhance nonfinancial assets or (2) require specialized skills and are provided by individuals possessing those skills, who would typically charge a fee. For the year ended June 30, 2016 there were greater amounts recorded in the accompanying financial statements for in-kind goods and services, respectively. Habitat utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization. The fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under GAAP.

#### **Assets Held in Escrow**

Habitat currently services the mortgage notes on the homes it sells. Included in assets held in escrow are cash amounts received for insurance and property taxes on such homes. These cash amounts are recorded as an asset, which is offset by a related liability.

#### **Mortgage Notes Receivable**

Sales of homes are recorded at the gross amount of payments to be received over the lives of the mortgages. These payments do not include interest. The notes have been discounted at various interest rates using the effective interest method over the lives of the mortgages. Mortgages are reported net of amortized cost. No allowance for doubtful accounts is considered necessary as past experience and management's estimation indicates an adequate allowance for such accounts is immaterial.

#### **Property and Equipment**

Property and equipment are recorded at cost or, if donated ,the estimated fair value at the date of donation . Habitat has a policy of capitalizing expenditures for property and equipment with costs greater than \$500. Depreciation is provided using the straight- line method over the estimated useful lives of assets which range from five to 30 years. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, gifts of property are recorded as unrestricted support.

### **Net Assets**

Habitat's net assets for the year ended June 30, 2016 are classified into two categories: (1) unrestricted net assets, which include no donor-imposed restrictions and (2) temporarily restricted net assets, which include donor-imposed restrictions that will expire in the future.

The unrestricted net assets consist of operating funds available for any purpose authorized by the Board of Directors (the "Board").

Temporarily restricted net assets consist of funds arising from gifts in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent. At June 30, 2016, Habitat had \$19,386 of temporarily restricted net assets.

### **Gifts and Contributions**

Gifts and contributions are recorded at their fair market value on the date of receipt. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

### **Functional Expenses**

Certain direct, indirect and administrative expenses are incurred which benefit more than one program. The Organization, therefore, allocates these expenses accordingly using time charged to employees and other various methods.

### **Subsequent Events**

In accordance with ASC 855, *Subsequent Events*, Habitat evaluated subsequent events through December 29, 2016, the date the financial statements were available for issue.

**Cash Equivalents** - For the purpose of the statement of cash flows, cash equivalents of short-term, highly liquid investments which are readily convertible into cash within (90) days of purchase.

**Investments** - The Organization also follows FASB ASC 958, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under FASB ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The Organization had no investments at June 30, 2016.

**Fair Value of Financial Instruments** - The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is feasible to estimate than value:

- Cash. Cash Equivalents, Accounts Receivable and Accounts payable - Carrying amount approximates fair value due to the short maturity of these financial statements (Level 1).
- Short and Long-Term Debt - The fair value of the Church's short and long-term debt is not estimated to be significantly different than carrying amount based upon anticipated current rates at which the organization could borrow funds for the remaining maturities (Level 1).

At June 30, 2016, the Organization has no other assets or liabilities subject to disclosure of fair value measurements as to valuation levels hierarchy per Financial Accounting Standards Board Statement No. 157.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE 2. FIXED ASSETS

Fixed assets are recorded at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

The balances at September 30, 2016, were as follows:

	Cost	Accumulated Depreciation	Life
Inventory of lots	\$ 68,276	\$ -	-
Property	138,617	10,524	30 years
Equipment	808	808	5-15 years
	<u>\$ 207,701</u>	<u>\$ 11,332</u>	

Depreciation expense for 2016 was \$4,542.

## NOTE 3. MORTGAGES RECEIVABLE

Habitat holds five mortgages receivable for properties it has sold to qualified buyers. These mortgages have maturity dates ranging from 16 to 20 years. The notes on these mortgages are non-interest bearing, payable in equal monthly installments and are secured by deeds of trust on the properties. The payments collected on these mortgages are used to help fund future home construction. The notes have been discounted at the prevailing market rate at the inception of the mortgage using the effective interest method over the lives of the mortgages. As mortgage payments are made, Habitat recognizes the amortization of the discount as revenue.

Mortgages receivable as of June 30, 2016, are as follows:

Mortgage notes receivable at face value	\$ 280,876
Less amortized discounts on mortgage notes	<u>(70,621)</u>
Mortgage notes receivable, net of discounts	<u><u>\$ 210,255</u></u>

Principal payments on the mortgages receivable balance are expected to be received as follows:

<u>Year ending June 30,</u>	
2017	\$ 12,950
2018	12,950
2019	12,950
2020	12,950
2021	12,950
Thereafter	145,505
	<u>\$ 210,255</u>

During the year ended June 30, 2016, Habitat sold property to a qualified buyer at a zero-interest mortgage that is being financed by Habitat. Habitat incurred a non-cash expense in the current year of approximately \$1,451 related to the recorded discount on the mortgage issued.

#### **NOTE 4. INVENTORY**

Inventory consists of the following as of June 30, 2016:

Land held for development	\$ 64,436
Construction in progress	3,840
Total inventory	<u>\$ 68,276</u>

#### **NOTE 5. INCOME TAXES**

The corporation qualifies as a charity in accordance with Sections 501(c)(3) of the Internal Revenue Code and Florida Statutes §220.13(2). This makes the Organization exempt from paying any state or federal income tax. The Organization is required to file an annual information report with the Internal Revenue Service (IRS) on Form 990. These required filings are current and are subject to examination by the IRS, generally for three years after they are filed.

#### **NOTE 6. IN-KIND CONTRIBUTIONS**

As directed by Habitat for Humanity International, the value of non-skilled donated services is not reflected in the accompanying financial statements, since there is no objective basis to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time in the Organization's home building and administrative functions.

The Organization attempts, where possible, to value donated services of skilled trades and professionals, and to record these values as in-kind contributions.

#### NOTE 7. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances at several federally insured banks. Interest bearing deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor at each banking institution. The Organization had insured balances of approximately \$143,200 at June 30, 2016.

#### NOTE 8. HOMEOWNER ESCROW CASH

Homeowner escrow funds to cover homeowner insurance premiums and real estate taxes are collected each month and held in a separate cash account that is not available for general operations. Homeowner escrow cash totaled \$4,051 at June 30, 2016. The corresponding liability of \$4,051 is shown in the current liabilities section of the statement of financial position.

#### NOTE 9. RELATED PARTY TRANSACTIONS

The Organization is an affiliate of Habitat for Humanity International (HFHI). As an affiliate, the Organization makes an annual contribution to HFHI. During the fiscal year, the Organization contributed \$1,500 to HFHI's international work.

#### NOTE 10. ADVERTISING COSTS

The Organization's general policy is to expense advertising costs as incurred. Advertising expense for 2016 was \$711.

#### NOTE 11. INVENTORIES

It has consistently been the policy of the Organization to record acquisition of goods and supplies as expenditures at the time of purchase. The amount of such inventory on hand at any one time would be a nominal amount and considered to be immaterial.

#### NOTE 12. INVESTMENTS

The Organization follows FASB Accounting Standards Codification (ASC) 958-320, *Investments, Debt and Equity Securities*. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

A summary of investments, which were held by the Organization at June 30, 2016, follows:

	Cost Basis	Fair Market Value
First Federal Certificate of Deposit	<u>\$ 90,253</u>	<u>\$ 90,253</u>

## **Communication with Those Charged with Governance**

To the Officers and Board  
Habitat for Humanity of Lake City/Columbia County, Inc.  
Lake City, Florida

We have audited the financial statements of Habitat for Humanity of Lake City/Columbia County, Inc. for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Habitat for Humanity of Lake City/Columbia County, Inc. are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting Habitat for Humanity of Lake City/Columbia County, Inc.'s financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 27, 2015.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

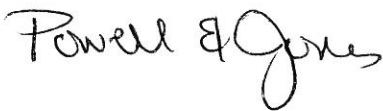
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Habitat for Humanity of Lake City/Columbia County, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**POWELL & JONES**  
Certified Public Accountants  
December 29, 2016