Habitat for Humanity® of Brevard County, Inc.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC. FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

FLAVIN NOONEY & PERSON
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Brevard County, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Brevard County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, 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.

Auditors' 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 Brevard 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.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Brevard County, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Flavin, Nooney & Person
Melbourne, FL
October 21, 2016

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015 (Restated)

	2016	2015 (Restated)
Assets		
Current Assets		
Cash and cash equivalents	$ 870,580	$ 653,411
Mortgages receivable, current portion	353,055	351,709
Agent mortgages receivable, current portion	6,456	6,456
Grants receivable	-	57,948
Inventory	90,710	44,615
Construction in progress	258,688	361,960
ReStore inventory	43,264	40,300
Investments	4,032	3,902
Prepaid expenses	24,941	21,679
Other assets	4,168	1,206
Total Current Assets	1,655,894	1,543,186
Property and Equipment (net of accumulated depreciation of $123,079 and $128,730, respectively)	1,252,890	1,144,597
Other Assets		
Temporarily restricted cash	51,799	51,799
Permanently restricted investments	25,000	36,108
Long-term inventory	595,039	449,948
Mortgages receivable, long-term net of a discount of $2,831,159 and $2,759,254, respectively	2,629,987	2,595,654
Agency mortgages receivable, long-term	147,276	153,723
Total Other Assets	3,449,101	3,287,232
Total Assets	$ 6,357,885	$ 5,975,015

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

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015 (Restated)

	2016	2015 (Restated)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 55,170	$ 100,171
Homeowner deposits for new homes	16,903	11,070
Homeowner escrow deposits	139,240	138,252
Line of credit	-	40,000
Current portion of long-term debt	79,652	25,460
Current portion of agent mortgages payable	6,456	6,456
Total Current Liabilities	297,421	321,409
Long-Term Liabilities		
Long-term debt, net of current portion	642,666	590,836
Agent mortgages payable, net of current portion	147,276	153,723
Total Long-Term Liabilities	789,942	744,559
Total Liabilities	1,087,363	1,065,968
Net Assets		
Unrestricted	5,193,723	4,821,140
Temporarily restricted	51,799	51,799
Permanently restricted	25,000	36,108
Total Net Assets	5,270,522	4,909,047
Total Liabilities and Net Assets	$ 6,357,885	$ 5,975,015

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

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016				Summarized 2015(Restated)
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenues					
Contributions					
Cash	$ 392,325	$ -	$ -	$ 392,325	$ 263,298
ReStore merchandise	785,115	-	-	785,115	653,744
In-kind	108,443	-	-	108,443	10,275
Grants and contracts	-	-	-	-	484,772
Special events	97,215	-	-	97,215	97,845
Home sales and late fees	734,642	-	-	734,642	885,228
Mortgage discount amortization	235,565	-	-	235,565	289,592
ReStore sales	782,151	-	-	782,151	653,744
Rebate income	-	-	-	-	51,562
Gain on sale of assets	7,404	-	-	7,404	-
Gain on foreclosed homes	285,286	-	-	285,286	-
Miscellaneous revenue	1,161	-	-	1,161	408
Net assets released from restrictions	11,108	-	(11,108)	-	-
Total Support and Revenues	3,440,415	-	(11,108)	3,429,307	3,390,468
Expenses					
Program services					
Mortgage program	695,480	-	-	695,480	762,448
Construction	1,006,300	-	-	1,006,300	1,049,800
ReStore	1,236,568	-	-	1,236,568	961,224
Supporting services					
Fundraising	109,370	-	-	109,370	127,930
Administration	20,114	-	-	20,114	91,252
Total Expenses	3,067,832	-	-	3,067,832	2,992,654
Changes in Net Assets	372,583	-	(11,108)	361,475	397,814
Net Assets, Beginning of Year, restated	4,821,140	51,799	36,108	4,909,047	4,511,233
Net Assets, End of Year	$ 5,193,723	$ 51,799	$ 25,000	$ 5,270,522	$ 4,909,047

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

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016								Summarized 2015
	Program Services				Support Services				
	Mortgage Program	Construction	ReStore	Total Program Services	Fundraising	Management And General	Total Support Services	Total	Total
Expenses									
Accounting	$ 10,387	$ -	$ 4,460	$ 14,847	$ -	$ 786	$ 786	$ 15,633	$ 25,673
Advertising	564	-	1,572	2,136	3,619	-	3,619	5,755	16,707
Mortgage discount expense	374,353	-	-	374,353	-	-	-	374,353	426,612
Closing costs	-	14,702	-	14,702	-	-	-	14,702	25,676
Construction	-	465,264	-	465,264	-	-	-	465,264	597,317
Consulting fees	-	-	161	161	4,095	-	4,095	4,256	7,748
Costs of goods sold	-	-	782,151	782,151	-	-	-	782,151	653,744
Food	-	-	-	-	11,296	-	11,296	11,296	9,445
Fuel	1,040	2,717	7,833	11,590	-	-	-	11,590	19,563
Fundraising supplies	-	-	-	-	25,641	-	25,641	25,641	24,042
Information technology	20,816	-	3,111	23,927	320	6	326	24,253	12,301
Insurance	-	20,936	17,363	38,299	1,539	297	1,836	40,135	34,892
Interest	-	-	26,298	26,298	-	-	-	26,298	25,576
Land sold	-	246,688	-	246,688	-	-	-	246,688	78,178
Legal	7,844	-	-	7,844	-	-	-	7,844	11,897
Licenses and taxes	1,665	420	800	2,885	-	71	71	2,956	3,703
Miscellaneous	43,007	29,144	5,513	77,664	3,722	160	3,882	81,546	45,798
Office rent	-	-	-	-	-	-	-	-	381
Office supplies and postage	10,193	-	6,455	16,648	550	81	631	17,279	16,496
Rental equipment	22,459	-	28,818	51,277	630	-	630	51,907	33,437
Repairs and maintenance	2,353	1,492	16,021	19,866	-	-	-	19,866	31,104
Salaries and benefits	178,905	188,245	262,983	630,133	55,569	18,215	73,784	703,917	779,355
Telephone	252	1,238	645	2,135	-	-	-	2,135	10,938
Tithe	-	30,300	33,000	63,300	-	-	-	63,300	33,435
Training and travel	5,638	96	1,093	6,827	565	48	613	7,440	8,351
Utilities	4,576	2,042	9,043	15,661	1,824	450	2,274	17,935	20,782
Total Expenses Before Depreciation and Bad Debt Expense	684,052	1,003,284	1,207,320	2,894,656	109,370	20,114	129,484	3,024,140	2,953,151
Depreciation	11,428	3,016	29,248	43,692	-	-	-	43,692	39,503
Bad debt expense	-	-	-	-	-	-	-	-	-
Total Functional Expenses	$ 695,480	$ 1,006,300	$ 1,236,568	$ 2,938,348	$ 109,370	$ 20,114	$ 129,484	$ 3,067,832	$ 2,992,654

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

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015 (Restated)

	2016	2015 (Restated)
Cash Flows from Operating Activities		
Cash received from customers and other sources	$2,968,745	$ 3,079,475
Cash paid to suppliers and employees	(2,783,412)	(2,835,656)
Interest paid	(26,298)	(25,576)
Net Cash Provided by Operating Activities	159,035	218,243
Cash Flows from Investing Activities		
Mortgages issued, net of unamortized discounts	(250,120)	(322,047)
Mortgage payments received	378,760	384,990
Proceeds from maturity of certificate of deposit	11,108	-
Purchase of property and equipment	(102,753)	(7,125)
Proceeds from sale of property, plant and equipment	10,701	-
Cash Provided by Investing Activities	47,696	55,818
Cash Flows from Financing Activities		
Net payments under line of credit	(40,000)	(40,000)
Payments on long-term borrowings	(44,562)	(24,649)
Proceeds from long-term borrowings	95,000	-
Cash Provided by (Used in) Financing Activities	10,438	(64,649)
Net Increase in Cash	217,169	209,412
Cash and Cash Equivalents, Beginning of Year	705,210	495,798
Cash and Cash Equivalents, End of Year	$ 922,379	$ 705,210
Cash and Cash Equivalents	$ 870,580	$ 653,411
Restricted Cash	51,799	51,799
Cash and Cash Equivalents, End of Year	$ 922,379	$ 705,210

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

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015 (Restated)

	2016	2015 (Restated)
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	$ 361,475	$ 397,814
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	43,692	39,503
Mortgage loan discount amortization	(235,565)	(289,592)
Gain on foreclosed homes	(285,286)	-
Gain on sale of property, plant and equipment	(4,349)	-
Gain on sale of land	(3,055)	-
Unrealized (gain) loss on investments	(130)	66
(Increase) decrease in assets		
Agent mortgages receivable	6,447	6,109
Grant receivable	57,948	(57,948)
Inventory	168,401	70,911
Construction in progress	103,272	(7,524)
Restore inventory	(2,964)	290
Prepaid expenses	(3,262)	(7,875)
Deposits	(2,962)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(45,001)	36,116
Homeowner deposits for new homes	5,833	(11,390)
Homeowner escrow deposits	988	47,872
Mortgages payable to Titusville	(6,447)	(6,109)
Cash Provided by Operating Activities	$ 159,035	$ 218,243

Supplemental Disclosures of Noncash Investing and Financing Activities:

In 2016 and 2015, properties were acquired through foreclosure from loans with a net book value of $71,246 and $136,457, respectively.

In 2016, a vehicle with a net book value of $6,525 was exchanged in the acquistion of a new vehicle. The new vehicle was acquired with non-cash financing of $55,584.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity of Brevard County, Inc. (the "Organization") is a nonprofit, Christian affordable housing developer dedicated to the elimination of substandard housing in Brevard County, Florida. It is affiliated with Habitat for Humanity International, Inc. ("HFHI") based in Americus, Georgia.

To be considered for home ownership, families must be low-income families who demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with the Organization. The partnership consists, in part, of each family completing 200 hours of "sweat equity" and meeting monthly mortgage payments. Houses are sold at no profit and with no interest on the mortgage.

The Organization also operates a ReStore. The ReStore program provides access to quality used building materials and household items to economically disadvantage people to help them create a better human habitat in which to live and work. The ReStore receives donated materials and sells them.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Tax Status

The Organization is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is classified as other than a private foundation. Contributions to the Organization qualify as deductions for charitable contributions.

Classification of Net Assets

The financial statements have been prepared in accordance with the *Not-for-Profit Entities Topic* (Section 958) of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). FASB ASC 958 requires the Organization to present its net assets and its activities based upon the existence or absence of donor-imposed restrictions into three classifications: unrestricted, temporarily restricted, and permanently restricted.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets – *Continued*

Unrestricted net assets – Net assets not subject to donor-imposed restrictions. The Organization's policy is to report revenues, gains and other support that are limited to specific uses by donor-imposed restrictions as increases in unrestricted net assets when the restrictions are met in the same reporting period as the income recognized.

Temporarily restricted net assets – Net assets are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use, as in the unspent income from invested funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets – Net assets that are subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of the assets permit the Organization to use all or part of the earnings on related investments for general or specific charitable purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, and all highly liquid debt instruments with original maturities of three months or less.

Temporarily Restricted Cash

Temporarily restricted cash consist of amounts held imposed by donor restrictions. The Organization has $51,799 temporarily restricted cash for the Critical Home Repair Program at June 30, 2016 and 2015.

Property and Equipment

The Organization capitalizes the cost of all expenditures for property and equipment with a useful life greater than one year. Donation of property and equipment are recorded as support at their estimated fair value. Property and equipment are depreciated using the straight-line method over the assets' expected useful lives.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Home Sales and Mortgages Receivable

Home sales represent the sale to qualified families of houses built in Brevard County by the Organization. The home sales are financed by the Organization utilizing non-interest bearing 20 to 30 year mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate, and are less than the appraised value of the home; therefore, there is no allowance for doubtful accounts. The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing determined by HFHI. The financing discounts are amortized and reflected as revenue when mortgage payments are collected. There are $829,557 and $795,148 of mortgages receivable at June 30, 2016 and 2015, respectively, that are over 90 days old and are still accruing interest.

The present value discount on mortgages for homes sold is shown as amortization of discount in mortgages receivable within the mortgage program. Mortgages are placed on nonaccrual status when they are foreclosed upon.

Construction in Progress

Construction in progress represents home construction and land costs incurred on incomplete homes in progress and completed homes not yet conveyed to the recipient family. Costs include direct material and labor costs and those indirect costs related to construction completion such as indirect labor, fringe benefits. In the fiscal year ending June 30, 2016, the Organization also began allocating overhead to construction projects. Construction in progress is expensed to cost of homes sold expense within the low-cost housing program when the home is transferred to the recipient family.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of land, purchased or donated, and foreclosed land and homes that have not yet been transferred to a family. The land is valued at fair value, which is the purchase price, or the appraised value at the date of donation. In the fiscal year ending June 30, 2015, foreclosed land and homes were recorded at the lower of fair market value or the remaining mortgage receivable. In the fiscal year ending June 30, 2106, the Organization changed their policy and recorded foreclosed land at fair market value at the date of foreclosure. As a result of this accounting policy change, the Organization recognized $285,286 of gain on foreclosed homes in the fiscal year ending June 30, 2016. On June 30, 2016 and 2015, Inventory includes $316,964 and $161,490 of foreclosed properties, respectively. In addition, the Organization had an interest in a mortgage loan secured by residential real estate property for which formal foreclosure proceedings were in process at June 30, 2016. The net carrying value of this loan, included in Mortgages Receivable, was $9,040 at June 30, 2016.

Homeowner Escrow Deposits

The Organization services the mortgages on homes the Organizations sells. Included in cash are amounts received from homeowners for insurance and property taxes (escrow funds). These funds are disbursed when these expenditures are due.

Contribution Revenue

Contributions are recognized when donors make a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting service categories. Allocations are based primarily on the actual costs incurred by the activity or square footage of space utilized for the activity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Donations

In-kind donations include the value of items donated for resale, as well as advertising and other supplies or services that the Organization would have to purchase if not otherwise donated. In-kind donations consist of the following as of June 30, 2016 and 2015:

	2016	2015
Items donated for resale in ReStore	$ 785,115	$ 653,744
Donated advertising, other supplies and services	108,443	10,275
Total In-kind donations	$ 893,558	$ 664,019

Advertising

The Organization's advertising costs are expensed as incurred. Advertising expenses for the year ended June 30, 2016 and 2015, were $5,755 and $16,707, respectively, of which $720 and $7,204, respectively, were in-kind donations.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances with several financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The amount of credit exposure in excess of federally-insured limits at June 30, 2016 and 2015, was $484,728 and $212,467, respectively.

There also exists a concentration of risk in the amount of revenues the Organization received from one major funding source approximating fifteen percent of the 2015 total revenues.

NOTE 3 – COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE 4 – MORTGAGES RECEIVABLE

Mortgages receivable (including agent mortgage receivables) consisted of the following at June 30:

	2016	2015
Mortgages receivable	$ 5,967,933	$ 5,866,796
Financing discount based upon imputed interest at rates ranging from 7.39% to 7.81%	(2,831,159)	(2,759,254)
	$ 3,136,774	$ 3,107,542

Future maturities of the mortgages receivable for the year ended June 30, 2016, are as follows:

Year ending June 30:	
2017	$ 353,055
2018	347,933
2019	343,575
2020	332,567
2021	325,090
Thereafter	4,265,713
	$ 5,967,933

NOTE 5 – FORGIVABLE MORTGAGES

In addition to the first mortgages, which make up the mortgages receivable, the Organization also has forgivable mortgages. These mortgages are for the difference between the fair market value of the house and the total of all other mortgages. Some homeowners receive forgivable mortgages from municipalities that reduce the forgivable mortgage they receive from the Organization. The Organization's forgivable mortgages originated prior to June 30, 2014, are forgiven in equal installments on the anniversary of the mortgage over ten to thirty years.

Forgivable mortgages originated subsequent to June 30, 2014, are forgiven when the first mortgage is paid off. These mortgages are non-interest bearing.

Forgivable mortgages as of June 30:

	2016	2015
Forgivable mortgages receivable	$ 1,291,988	$ 1,601,132
Financing discount based upon imputed interest at rates ranging from 7.39% to 7.81%	(474,332)	(582,425)
Net forgivable mortgages	817,656	1,018,707
Less allowance for doubtful accounts	(817,656)	(1,018,707)
Total	$ -	$ -

NOTE 6 – FAIR VALUE MEASURMENTS

FASB ASC 820, *Fair Value Measurements,* establishes a framework for measuring fair value. That framework provides 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 in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1:	Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2:	Inputs to the valuation methodology is based on observable quoted prices for similar assets and liabilities in active markets.
Level 3:	Inputs to the valuation methodology are based on inputs that are unobservable and by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level 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 is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 or 2015.

Mortgages receivable: Valued at amortized cost.

Common Stock: Valued at quoted market prices.

Certificates of deposit: Valued at fair value by discounting the related cash flows based on current yields of similar investments with comparable durations considering the credit-worthiness of the issuer.

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value of reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016.

	Level 1	Level 2	Level 3	Total Carrying Amount
Mortgages receivable	$ -	$ -	$ 2,983,042	$ 2,983,042
Agent mortgages receivable	-	-	153,732	153,732
Common stock	1,713	-	-	1,713
Certificates of Deposit	-	27,319	-	27,319
	$ 1,713	$ 27,319	$ 3,136,774	$ 3,165,806

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

	Level 1	Level 2	Level 3	Total Carrying Amount
Mortgages receivable	$ -	$ -	$ 2,947,363	$ 2,947,363
Agent mortgages receivable	-	-	160,179	160,179
Common stock	1,831	-	-	1,831
Certificates of Deposit	-	38,179	-	38,179
	$ 1,831	$ 38,179	$ 3,107,542	$ 3,147,552

Level 3 Gains and losses

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets for the year ended June 30, 2016.

	Mortgages Receivable	Agent Mortgages Receivable
Beginning balance	$ 2,947,363	$ 160,179
Issuances, net	250,120	-
Foreclosures	(71,246)	-
Payments	(378,760)	(6,447)
Amortization of interest	235,565	-
Ending balance	$ 2,983,042	$ 153,732

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets for the year ended June 30, 2015.

	Mortgages Receivable	Agent Mortgages Receivable
Beginning balance	$ 2,857,171	$ 166,288
Issuances, net	322,047	-
Foreclosures	(136,457)	-
Payments	(384,990)	(6,109)
Amortization of interest	289,592	-
Ending balance	$ 2,947,363	$ 160,179

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016:

	Cost	Accumulated Depreciation	Net Book Value	Estimated Life
Vehicles	$ 86,078	$ 29,487	$ 56,591	5 years
Furniture and fixtures	15,791	15,724	67	5 years
Office equipment	13,396	5,588	7,808	5 years
Building	641,580	52,780	588,800	30 years
Building improvements	459,124	19,500	439,624	30 years
Land	160,000	-	160,000	
Total	$ 1,375,969	$ 123,079	$ 1,252,890	

Property and equipment consists of the following at June 30, 2015:

	Cost	Accumulated Depreciation	Net Book Value	Estimated Life
Vehicles	$ 74,533	$ 53,462	$ 21,071	5 years
Furniture and fixtures	24,246	24,246	-	5 years
Office equipment	11,979	5,464	6,515	5 years
Building	641,580	36,329	605,251	30 years
Building improvements	360,989	9,229	351,760	30 years
Land	160,000	-	160,000	
Total	$ 1,273,327	$ 128,730	$ 1,144,597	

Depreciation expense for 2016 and 2015 was $43,692 and $39,503, respectively.

NOTE 8 – OPERATING LEASE OBLIGATION

The Organization leases a mail meter, copy machine, telephone system, alarm system and cash register under operating leases with lease terms of 36 to 63 months with monthly payments ranging from $25 to $2,010.

Minimum future rental payments under non-cancelable operating lease as of June 30, 2016, are for the years ending June 30:

2017	$	30,046
2018		28,666
2019		27,294
2020		18,162
Total	$	104,168

The total rent expense for the years ended June 30, 2016 and 2015, was $51,907 and $33,818, respectively.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is the summary of accounts payable and accrued expenses as of June 30:

	2016	2015
Accounts payable	$ 12,639	$ 35,049
Accrued payroll	10,575	34,351
Accrued leave	19,846	26,657
Other accrued expenses	12,110	4,114
	$ 55,170	$ 100,171

NOTE 10 – LINE OF CREDIT

The Organization has a $525,000 line of credit from Brevard County Housing Finance Authority. At June 30, 2016 and 2015, the outstanding amount under the line of credit was $0 and $40,000. There is no interest on the line of credit. The money must be used for purchases of land or property. The line expires December 31, 2018.

NOTE 11 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	2016	2015
The Organization has a mortgage note payable to a bank in the amount of $680,000. The mortgage note bears interest at 3.65%, is payable in monthly installments of $3,996, and matures in March 2023 as a balloon payment of approximately $408,000. The mortgage note is secured by the land and building of the Organization.	$ 592,975	$ 616,296
During the year ending June 30, 2016, the Organization obtained a mortgage note payable to a bank in the amount of $95,000 for repairs to the building. The mortgage note bears interest at 4.618%, is payable in monthly installments of $1,326, and matures in October 2022. The mortgage note is secured by the land and building of the Organization.	87,219	-
During the year ending June 30, 2016, the Organization purchased a vehicle and obtained a note payable from a financing company in the amount of $55,584. The note bears interest at 2.76%, is payable in monthly installments of $1,611, and matures in October 2018. The mortgage note is secured by vehicle.	42,124	-
	722,318	616,296
Less current portion	79,652	25,460
Total long-term debt	$ 642,666	$ 590,836

Future annual maturities of the long-term debt as of June 30, 2016 are as follows:

2017	$ 79,652
2018	87,378
2019	66,142
2020	68,730
2021	71,421
Thereafter	348,995
Total	$ 722,318

NOTE 12 – AGENT ACCOUNTS

The Organization administers some mortgages for the City of Titusville. The mortgages are separately stated on the statement of financial position as agent mortgages receivable, and are offset by agent mortgages payable. The mortgages payable to Titusville are repaid when the money is received from the home owners.

NOTE 13 – RELATED PARTY AND AFFILIATES

The Organization tithes to Habitat for Humanity International, Inc. and remitted $63,300 and $33,435 during the years ended June 30, 2016 and 2015, respectively.

NOTE 14 – RETIREMENT PLAN

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering all employees. The Organization does not make any contributions to the plan.

NOTE 15 – FUNDRAISING

The Organization received approximately 3% of its total revenue from fundraising, including in-kind revenue, for the years ending June 30, 2016 and 2015.

NOTE 16 – DONATED SERVICES

Donated services with an estimated value of $385,550 and $726,284 for the years ended June 30, 2015 and 2014, respectively, were not recognized in the financial statements because they did not meet the criteria for recognition. Donated services are estimated strictly for maintaining the Organization's tax exempt status.

NOTE 17 –INCOME TAXES

The Organization is exempt from federal and state income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Therefore, only income from business unrelated to the Organization's charitable purpose is subjected to federal or state income tax. The Organization's tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2016, tax years ending on or after June 30, 2012 remain subject to examination.

NOTE 18 – ENDOWMENT

The balance of the Endowment assets consists of donor restricted funds. The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The entire endowment fund is included in the certificate of deposit, and therefore the Organization expects an annual return of approximately 1%. The Organization has adopted a policy that 100% of the earnings will be available to be spent. In the fiscal year ending June 30, 2016, the Organization determined that a maturing certificate of deposit in the amount of $11,108 was eligible for release from it restrictions, and as a result, transferred the funds to unrestricted net assets.

	Permanently Restricted – Donor Restricted	Temporarily Restricted – Board Designated	Total
June 30, 2014	$ 36,108	$ -	$ 36,108
Investment earnings	-	49	49
Amounts appropriated for expenditure	-	(49)	(49)
June 30, 2015	36,108	-	36,108
Released from restriction	(11,108)		(11,108)
Investment earnings	-	204	204
Amounts appropriated for expenditure	-	(204)	(204)
June 30, 2016	$ 25,000	$ -	$ 25,000

NOTE 19 – RESTATEMENT

In 2016, management discovered they had incorrectly included board designated funds of $198,558 for the construction of future homes in temporarily restricted cash and temporarily restricted net assets at June 30, 2015. Additionally, restricted cash and temporarily restricted net assets for the Critical Home Repair Program were understated by $41,763. The 2015 comparative financial statements have been restated to properly reflect temporarily restricted cash and temporarily restricted net assets. The effect of this correction is a reduction of temporarily restricted cash and temporarily restricted net assets and a corresponding increase in cash and cash equivalents and unrestricted net assets of $156,795.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 21, 2016, the date which the financial statements were available for issue.

NOTE 21 – RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.