

CENTRAL MINNESOTA HABITAT FOR HUMANITY

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3-4
Statement of Activities	5-6
Statement of Functional Expenses	7-8
Statement of Cash Flows	9-10
Notes to Financial Statements	11-19





MILLER WELLE HEISER *certified Public Accountants*

4170 Thielman Lane • P.O. Box 159 • St. Cloud, MN 56302-0159
(320) 253-9505 • 1-800-450-0373 • FAX (320) 255-8939
E-Mail: cpas@mwhco.com Website: www.mwhco.com

Rodney M. Heiser, CPA
Robert A. Kovell, CPA/ABV, CVA
Michael R. Nelson, CPA
Chris A. Stalboerger, CPA
Jesse J. Bowman, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Central Minnesota Habitat for Humanity

We have audited the accompanying financial statements of CENTRAL MINNESOTA HABITAT FOR HUMANITY (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 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.

(This Page Intentionally Left Blank)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CENTRAL MINNESOTA HABITAT FOR HUMANITY as of June 30, 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited CENTRAL MINNESOTA HABITAT FOR HUMANITY'S 2012 financial statements, and our report dated September 28, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



MILLER, WELLE, HEISER & CO., LTD.
Certified Public Accountants

St. Cloud, Minnesota
October 10, 2013

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(With Comparative Totals for June 30, 2012)

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash	\$ 115,796	\$ 164,789
Restricted cash	23,949	22,074
Accounts receivable	218	218
Current maturities of pledges receivable	54,381	39,358
Works in progress	268,322	473,940
Inventory	3,197	3,834
Prepaid expense	-	13,333
Prepaid insurance	11,082	10,755
Current maturities of mortgages	<u>56,036</u>	<u>48,581</u>
Total current assets	<u>\$ 532,981</u>	<u>\$ 776,882</u>
PROPERTY AND EQUIPMENT – NET	<u>\$ 1,092,450</u>	<u>\$ 1,129,102</u>
OTHER ASSETS:		
Mortgages, less current maturities	\$ 2,147,481	\$ 2,035,498
Pledges receivable, less current maturities	111,311	100,427
Land available for construction	438,728	486,273
Refundable deposits	<u>3,161</u>	<u>3,161</u>
Total other assets	<u>\$ 2,700,681</u>	<u>\$ 2,625,359</u>
TOTAL ASSETS	<u>\$ 4,326,112</u>	<u>\$ 4,531,343</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2013

(With Comparative Totals for June 30, 2012)

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES:		
Line of credit	\$ 74,495	\$ 74,495
Current maturities of long-term debt	145,229	126,981
Accounts payable	45,689	53,546
Accrued payroll taxes	7,871	-
Accrued sales taxes	1,464	1,612
Accrued wages	6,919	7,568
Accrued vacation	14,986	16,665
Accrued retirement	-	22
Homeowner escrows	<u>38,426</u>	<u>31,100</u>
 Total current liabilities	 <u>\$ 335,079</u>	 <u>\$ 311,989</u>
 LONG-TERM LIABILITIES:		
Long-term debt - net of current portion	<u>\$ 2,846,203</u>	<u>\$ 2,776,711</u>
 TOTAL LIABILITIES	 <u>\$ 3,181,282</u>	 <u>\$ 3,088,700</u>
 NET ASSETS:		
Unrestricted	\$ 979,138	\$ 1,302,858
Temporary restricted	<u>165,692</u>	<u>139,785</u>
 TOTAL NET ASSETS	 <u>\$ 1,144,830</u>	 <u>\$ 1,442,643</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,326,112</u>	 <u>\$ 4,531,343</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2013</u>	<u>2012</u>
REVENUES AND OTHER SUPPORT:				
Contributions-				
Business	\$ 18,262	\$ 2,600	\$ 20,862	\$ 41,386
Church	40,205	-	40,205	22,206
Grants and foundations	200,657	-	200,657	175,568
In-kind	114,280	-	114,280	279,717
Individual	108,901	78,090	186,991	285,796
Service group	25,213	-	25,213	24,994
	<u>507,518</u>	<u>80,690</u>	<u>588,208</u>	<u>829,667</u>
Total contributions	\$ 507,518	\$ 80,690	\$ 588,208	\$ 829,667
Sales of completed homes	\$ 198,678	\$ -	\$ 198,678	\$ 119,834
Income from home foreclosure and mortgage payoff	38,019	-	38,019	45,813
Fundraising	12,444	-	12,444	40,939
Miscellaneous-				
Interest	163,828	-	163,828	154,829
Other income	6,112	-	6,112	11,761
Gain (loss) on sale of assets	14,337	-	14,337	(77,652)
Restore Revenue	238,777	-	238,777	193,059
Net assets released from restrictions	54,783	(54,783)	-	-
	<u>1,234,496</u>	<u>25,907</u>	<u>1,260,403</u>	<u>1,318,250</u>
TOTAL REVENUES AND SUPPORT	\$ 1,234,496	\$ 25,907	\$ 1,260,403	\$ 1,318,250

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2013</u>	<u>2012</u>
EXPENSES:				
Program Services:				
Housing	\$ 1,023,082	\$ -	\$ 1,023,082	\$ 842,338
ReStore	282,766	-	282,766	262,600
Total Program Services	<u>1,305,848</u>	<u>-</u>	<u>1,305,848</u>	<u>1,104,938</u>
Supporting Services:				
Administration	109,097	-	109,097	114,956
Fundraising	<u>143,271</u>	<u>-</u>	<u>143,271</u>	<u>198,023</u>
Total Supporting Services	252,368	-	252,368	312,979
TOTAL EXPENSES	<u>\$ 1,558,216</u>	<u>\$ -</u>	<u>\$ 1,558,216</u>	<u>\$ 1,417,917</u>
CHANGE IN NET ASSETS	\$ (323,720)	\$ 25,907	\$ (297,813)	\$ (99,667)
NET ASSETS - BEGINNING OF YEAR	<u>1,302,858</u>	<u>139,785</u>	<u>1,442,643</u>	<u>1,542,310</u>
NET ASSETS - END OF YEAR	<u>\$ 979,138</u>	<u>\$ 165,692</u>	<u>\$ 1,144,830</u>	<u>\$ 1,442,643</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	Program Services	
	Housing	ReStore
Cost of homes sold	\$ 582,416	\$ -
Community awareness	33,333	21,218
Computer and internet	14,631	3,654
Dining, lodging and travel	3,169	4,179
Dues and subscriptions	916	415
Insurance	25,839	2,087
Interest	81,734	47,952
Licenses and fees	12,444	5,079
Office supplies and expense	1,462	1,509
Other building costs	2,589	33,396
Payroll taxes	23,399	11,373
Postage and freight	2,927	73
Printing and publications	14,167	679
Professional fees	22,176	1,283
Property taxes	-	-
Rent	11,580	-
Retirement	3,342	1,458
Salary and benefits	162,715	91,684
Telephone	3,991	4,757
Tithe/donations	10,532	-
Training and conferences	575	-
Utilities	2,972	18,000
Miscellaneous expense	3,856	1,891
	<hr/>	<hr/>
Total expense before depreciation	\$ 1,020,765	\$ 250,687
Depreciation	2,317	32,079
	<hr/>	<hr/>
TOTAL EXPENSES	\$ 1,023,082	\$ 282,766

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

<u>Supporting Services</u>		<u>Totals</u>	
<u>Administration</u>	<u>Fundraising</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
\$ -	\$ -	\$ 582,416	\$ 321,836
-	7,516	62,067	76,827
3,658	6,096	28,039	25,995
792	1,320	9,460	11,599
229	382	1,942	2,221
9,308	10,459	47,693	69,779
-	-	129,686	122,573
3,111	5,185	25,819	41,166
365	609	3,945	5,059
423	705	37,113	29,512
8,975	9,944	53,691	60,006
732	1,220	4,952	8,777
3,542	5,903	24,291	29,956
5,544	9,240	38,243	59,185
-	-	-	14,716
2,895	4,825	19,300	18,000
1,305	1,527	7,632	7,870
65,179	73,275	392,853	409,908
998	1,663	11,409	8,268
-	-	10,532	15,729
144	239	958	5,046
743	1,239	22,954	18,387
575	959	7,281	21,196
<u>\$ 108,518</u>	<u>\$ 142,306</u>	<u>\$ 1,522,276</u>	<u>\$ 1,383,611</u>
<u>579</u>	<u>965</u>	<u>35,940</u>	<u>34,306</u>
<u>\$ 109,097</u>	<u>\$ 143,271</u>	<u>\$ 1,558,216</u>	<u>\$ 1,417,917</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (297,813)	\$ (99,667)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	35,940	34,306
(Gain) Loss on sale of assets	(14,337)	77,652
Mortgages issued	(216,189)	(119,836)
Mortgage imputed interest	(163,762)	(154,528)
Mortgage collections	260,513	253,331
(Increase) decrease in:		
Pledges receivable	(25,907)	(139,785)
Works in progress	162,325	(289,970)
Inventory	637	2,624
Prepaid expense	13,333	-
Prepaid insurance	(327)	2,666
Land available for construction	47,545	72,067
Increase (decrease) in:		
Accounts payable	(7,857)	12,560
Homeowner escrows	7,326	6,127
Wages and benefits payable	5,373	(4,928)
Net cash used by operating activities	<u>\$ (193,200)</u>	<u>\$ (347,381)</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted cash	\$ (1,875)	\$ (576)
Proceeds from sale of assets	60,000	115,500
Capital acquisitions	<u>(1,658)</u>	<u>(13,471)</u>
Net cash provided by investing activities	<u>\$ 56,467</u>	<u>\$ 101,453</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	\$ 213,310	\$ 531,849
Payments on long-term debt	(125,570)	(120,218)
Proceeds from line of credit	-	17,000
Payments on line of credit	<u>-</u>	<u>(100,000)</u>
Net cash provided by financing activities	<u>\$ 87,740</u>	<u>\$ 328,631</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (48,993)	\$ 82,703
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>164,789</u>	<u>82,086</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 115,796</u>	<u>\$ 164,789</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of CENTRAL MINNESOTA HABITAT FOR HUMANITY is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

a. Nature of Organization -

Central Minnesota Habitat for Humanity ("Organization") is a non-profit corporation that works with selected families and communities to build or renovate homes for qualifying families in need. The Organization provides the qualified families with a mortgage on the home, of which a portion is forgiven over time.

b. Basis of Accounting -

The financial statements of Central Minnesota Habitat for Humanity have been prepared on the accrual basis. The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America applicable to non-profit organizations.

c. Financial Statement Presentation -

The Organization adopted FASB ASC 958-205-45, formerly Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-205-45, the Organization is required to report information regarding its financial position and activities according to three classes of net asset restrictions: Unrestricted, temporarily restricted and permanently restricted. Net asset restrictions are categorized as follows:

Unrestricted net assets – All financial resources that are not permanently restricted or temporarily restricted by donor-imposed stipulations. Resources may be used at the discretion of the Board of Directors.

Temporarily restricted net assets – Accounts for (a) contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – Accounts for all financial resources which includes a donor imposed restriction that stipulates the resources be maintained permanently, but permits the Board of Directors to use or expend part or all of the income derived from the donated assets.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Contributions -

The Organization reports gifts of cash and other assets 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. The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. All other contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

The Organization reports receipts of unconditional promises to give cash or other assets in future periods as restricted support unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended it to be used to support activities of the current period.

e. Donated Materials and Equipment -

Donated materials, tools, and equipment are recorded as in-kind contribution revenue at the estimated fair value at the date of contribution. Tools and equipment are either recorded as fixed assets or expensed when used. Materials are added to inventory and expensed as they are used in the construction of houses. Donated materials received during the year ended June 30, 2013 consist of tools, equipment, and materials to be used to build the houses.

f. In-Kind Services -

Central Minnesota Habitat for Humanity receives in-kind contribution of services, such as, plumbing and electrical work on the houses. These services are valued at the actual cost of the service and recorded as revenues and expenses in the financial statements.

g. Support and Revenues -

Central Minnesota Habitat for Humanity receives its support primarily from contributions and fundraisers. Support received is recorded on the accrual basis, recognized when earned.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. Functional Allocation of Expenses -

The costs relating to program services, fundraising, and management have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

i. Receivables -

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

j. Inventory, Works in Progress and Land Available for Construction -

The Organization values inventory by the first-in, first-out (FIFO) method. Donated inventory items to be used in the construction of homes are valued at the estimated fair market value measured as of the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the use to a specific purpose. Work in progress is the value of materials, inventory and labor that has been added to a particular home or project that was not complete as of year end.

Habitat's ReStore consists of donated building supplies, flooring, and other home improvement items. Donated and deconstruction material inventory for the ReStore is not assigned a value.

k. Mortgages -

The Organization holds interest free mortgages for qualifying homeowners. These interest free loans have been recorded in the financial statements at their total realizable value and interest has been imputed on these loans.

l. Property and Equipment -

Property and equipment are recorded at historical cost for purchased items. Donated items are recorded at estimated fair market value measured as of the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Major improvements are charged to the asset accounts and ordinary repairs are expensed in the current period.

m. Income Taxes -

Central Minnesota Habitat for Humanity is a private non-profit corporation. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Minnesota franchise or income tax. Therefore, no income taxes are paid and contributions made to the Organization are tax deductible by the donor.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

n. Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

o. Advertising -

Advertising costs are expensed when incurred. Advertising costs for the years ended June 30, 2013 and 2012 were \$62,067 and \$76,827 respectively, which was included in program services, management and general, and fundraising.

p. Uncertainty for Income Taxes -

The Organization is subject to the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has the greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the tax positions for the Organization and concluded that the Organization had taken no uncertain income tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2009, which is the standard statute of limitations look-back period.

q. Supplemental Disclosure of Cash Flow Information -

1. Cash payments for interest for the period was:

	<u>2013</u>	<u>2012</u>
Interest	<u>\$ 67,423</u>	<u>\$ 61,948</u>

r. Summarized Information/Comparative Data -

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. CASH AND CASH EQUIVALENTS:

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

	<u>2013</u>	<u>2012</u>
Checking and savings	\$ 77,154	\$ 129,559
Money market	<u>38,642</u>	<u>35,230</u>
Total cash and cash equivalents	<u>\$ 115,796</u>	<u>\$ 164,789</u>

3. PLEDGES RECEIVABLE:

Pledges are recorded as current or long-term assets, depending on the estimated collection date and are included in contribution revenue.

Pledges receivable at June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 54,381	\$ 39,358
Receivable in one to five years	123,907	108,841
Receivable more than five years	500	-
Allowance for doubtful receivables	<u>-</u>	<u>-</u>
Total pledges receivable	\$ 178,788	\$ 148,199
Less discounts to net present value	<u>(13,096)</u>	<u>(8,414)</u>
Net pledges receivable	<u>\$ 165,692</u>	<u>\$ 139,785</u>

Discount rates used on long-term pledges receivable was 4%.

4. MORTGAGES:

Mortgages are interest free to the qualifying homeowner. Each homeowner has a single mortgage or combination of mortgages and a right of first refusal. The single mortgage or combination of mortgages does not exceed the larger of cost value or appraised value of the home on the day of the sale. The first mortgage is repaid in monthly installments by the homeowner. At June 30, 2013 and 2012 the second mortgages were valued at \$1,998,341 and \$2,073,207, respectively. These amounts have not been recorded as assets on the statement of financial position because they are not expected to be collected, but rather forgiven. The homeowner is responsible for the unforgiven amount of the second mortgage, if the house is sold. Imputed interest income on the mortgages and contracts for deed were \$163,762 and \$154,528 for the years ended June 30, 2013 and 2012, at interest rates varying from 6% to 9%. At June 30 the interest free mortgages were valued as follows:

	<u>2013</u>	<u>2012</u>
Mortgages	\$ 4,637,453	\$ 4,516,831
Less: imputed interest	<u>(2,433,936)</u>	<u>(2,432,752)</u>
	\$ 2,203,517	\$ 2,084,079
Less: current maturities	<u>(56,036)</u>	<u>(48,581)</u>
Total mortgages	<u>\$ 2,147,481</u>	<u>\$ 2,035,498</u>

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. MORTGAGES (CONTINUED):

Future collections of mortgages are as follows for the years ending June 30:

2014	\$ 56,036
2015	60,654
2016	64,217
2017	68,724
2018	74,442
Thereafter	<u>1,879,444</u>
Total	<u>\$ 2,203,517</u>

5. PROPERTY AND EQUIPMENT:

The following is a summary of property and equipment at June 30:

	<u>2013</u>	<u>2012</u>
Buildings	\$ 1,124,168	\$ 1,124,168
Tools and equipment	25,100	25,100
House sponsor signs	9,047	9,047
Computers and office equipment	58,257	56,599
Vehicles	<u>15,999</u>	<u>19,159</u>
	\$ 1,232,571	\$ 1,234,073
Less: accumulated depreciation	<u>(140,121)</u>	<u>(104,971)</u>
Net property and equipment	<u>\$ 1,092,450</u>	<u>\$ 1,129,102</u>

Depreciation of the buildings is calculated on a straight-line basis over its estimated useful life. The useful life of the building is 40 years. Depreciation on computers, tools, equipment, and vehicles is calculated using an accelerated depreciation method or calculated on a straight-line basis over the estimated useful lives of the assets. Useful lives range from 3 to 7 years. Depreciation expense for the years ended June 30, 2013 and 2012 amounted to \$35,940 and \$34,306, respectively.

6. LONG-TERM DEBT:

	<u>2013</u>	<u>2012</u>
Habitat for Humanity of Minnesota, Inc. - Maturity dates from September 2020 to April 2040, monthly payments of \$6,945, with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity.	\$ 1,509,914	\$ 1,483,465
Maturity date January 2020, monthly payments of \$554, including interest at 3.0%, secured by mortgages held by Central Minnesota Habitat for Humanity.	39,652	45,020
Maturity date March 2019, single payment with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity.	18,077	18,077

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED):

	<u>2013</u>	<u>2012</u>
Maturity date October 2034, monthly payments of \$449, including interest at 2.25%, secured by mortgages held by Central Minnesota Habitat for Humanity.	91,248	94,544
Maturity date November 2036, monthly payments of \$339, including interest at 3.0%, secured by mortgages held by Central Minnesota Habitat for Humanity.	68,351	70,334
Maturity date November 2037, monthly payments of \$497, including interest at 3.0%, secured by mortgages held by Central Minnesota Habitat for Humanity.	103,052	-
Note payable to bank, maturity date March 2039, monthly payments of \$1,226 with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity.	216,178	223,680
Note payable to limited partnership, maturity date May 2018. Monthly payments of \$5,000 through December 2012 including interest at 5%. Monthly payments then increase to \$6,652 including interest at 5% until May 2018. Secured by real estate.	<u>944,960</u>	<u>968,572</u>
	<u>\$ 2,991,432</u>	<u>\$ 2,903,692</u>
Less: current maturities	<u>(145,229)</u>	<u>(126,981)</u>
Total long-term debt	<u>\$ 2,846,203</u>	<u>\$ 2,776,711</u>

Future payments on long-term debt are as follows for the years ending June 30:

2014	\$ 145,229
2015	147,329
2016	149,529
2017	151,830
2018	914,626
Thereafter	<u>1,482,889</u>
Total	<u>\$ 2,991,432</u>

7. LINE OF CREDIT:

The Organization has available a line of credit with a bank for \$175,000. The unpaid balance under the loan is collateralized by land and bears interest at a fluctuating rate equal to the prime rate but not less than 5.75% per annum. Any outstanding principal is due October 16, 2013. At June 30, 2013 and 2012 the Organization had balances on the line of credit of \$74,495 and \$74,495, respectively.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. DONATED GOODS AND SERVICES:

The following is a summary of donated goods and services received by the Organization during the years ended June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Land and buildings	\$ -	\$ 73,000
Services	29,965	67,335
Materials and supplies	22,052	78,757
Interest due on loans payable	<u>62,263</u>	<u>60,625</u>
Total	<u>\$ 114,280</u>	<u>\$ 279,717</u>

In addition, a substantial number of volunteers have donated a significant amount of time and services to the Organization. The value of such time and services has not been reflected in the financial statements as an objective basis on which to value such services was not available. Donated services that require specialized skill are recorded as in-kind donations at the time the service is performed.

9. OPERATING LEASE:

The Organization leases a building from Lehnen, LLC on a monthly basis. The lease agreement expires June 30, 2014, or sooner with proper notice. Under the terms of the lease, the Organization must pay monthly lease payments of \$1,600. Rent expense totaled \$19,300 and \$18,000 for the years ended June 30, 2013 and 2012, respectively.

10. RETIREMENT PLAN:

The Organization has a SIMPLE plan covering all employees who qualify as to age and length of service. The plan is a defined contribution plan, with all contribution amounts (if any) determined by management. The contributions to the plan were \$7,632 and \$7,870 for the years ended June 30, 2013 and 2012, respectively.

11. FINANCIAL STATEMENT PRESENTATION:

Certain functional expenses in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 10, 2013, the date the financial statements were available to be issued.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. SUBSEQUENT EVENTS (CONTINUED):

Subsequent to year end, the Organization entered into a lease agreement for new office space, expiring January 31, 2018. Monthly payments fluctuate from \$0 for the first three months, to \$2,426 for the final three years. Future minimum lease payments under the lease are:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2014	\$ 8,666
2015	26,690
2016	29,112
2017	29,112
2018	<u>16,982</u>
Total	<u>\$ 110,562</u>