

CENTRAL MINNESOTA HABITAT FOR HUMANITY

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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 AUDITOR'S 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, 2014, 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.

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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, 2014, 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 CENTRAL MINNESOTA HABITAT FOR HUMANITY'S 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 15, 2014

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(With Comparative Totals for June 30, 2013)

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash	\$ 241,451	\$ 115,796
Restricted cash	13,498	23,949
Accounts receivable	218	218
Current maturities of pledges receivable	51,588	54,381
Works in progress	225,639	268,322
Inventory	6,433	3,197
Prepaid insurance	10,941	11,082
Current maturities of mortgages	<u>56,090</u>	<u>56,036</u>
Total current assets	<u>\$ 605,858</u>	<u>\$ 532,981</u>
PROPERTY AND EQUIPMENT – NET	<u>\$ 1,058,793</u>	<u>\$ 1,092,450</u>
OTHER ASSETS:		
Mortgages, less current maturities	\$ 2,157,276	\$ 2,147,481
Pledges receivable, less current maturities	59,546	111,311
Land available for construction	391,159	438,728
Refundable deposits	<u>2,661</u>	<u>3,161</u>
Total other assets	<u>\$ 2,610,642</u>	<u>\$ 2,700,681</u>
TOTAL ASSETS	<u>\$ 4,275,293</u>	<u>\$ 4,326,112</u>

See accompanying notes to financial statements.

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

JUNE 30, 2014

(With Comparative Totals for June 30, 2013)

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES:		
Line of credit	\$ 124,305	\$ 74,495
Current maturities of long-term debt	150,743	145,229
Accounts payable	16,920	45,689
Accrued payroll taxes	6,579	7,871
Accrued sales taxes	1,385	1,464
Accrued wages	8,345	6,919
Accrued vacation	11,251	14,986
Accrued retirement	850	-
Homeowner escrows	<u>35,077</u>	<u>38,426</u>
 Total current liabilities	 <u>\$ 355,455</u>	 <u>\$ 335,079</u>
 LONG-TERM LIABILITIES:		
Long-term debt - net of current portion	<u>\$ 2,799,829</u>	<u>\$ 2,846,203</u>
 TOTAL LIABILITIES	 <u>\$ 3,155,284</u>	 <u>\$ 3,181,282</u>
 NET ASSETS:		
Unrestricted	\$ 1,008,875	\$ 979,138
Temporary restricted	<u>111,134</u>	<u>165,692</u>
 TOTAL NET ASSETS	 <u>\$ 1,120,009</u>	 <u>\$ 1,144,830</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,275,293</u>	 <u>\$ 4,326,112</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
REVENUES AND OTHER SUPPORT:				
Contributions-				
Business	\$ 43,756	\$ -	\$ 43,756	\$ 20,862
Church	29,524	-	29,524	40,205
Grants and foundations	221,405	-	221,405	200,657
In-kind	168,214	-	168,214	114,280
Individual	86,209	25,025	111,234	186,991
Service group	21,025	-	21,025	25,213
	<u>570,133</u>	<u>25,025</u>	<u>595,158</u>	<u>588,208</u>
Total contributions	\$ 570,133	\$ 25,025	\$ 595,158	\$ 588,208
Sales of completed homes	\$ 97,840	\$ -	\$ 97,840	\$ 198,678
Income from home foreclosure and mortgage payoff	11,692	-	11,692	38,019
Fundraising	24,102	-	24,102	12,444
Miscellaneous-				
Interest	173,460	-	173,460	163,828
Other income	3,489	-	3,489	6,112
Gain (loss) on sale of assets	831	-	831	14,337
Restore Revenue	211,811	-	211,811	238,777
Net assets released from restrictions	79,583	(79,583)	-	-
	<u>1,172,941</u>	<u>(54,558)</u>	<u>1,118,383</u>	<u>1,260,403</u>
TOTAL REVENUES AND SUPPORT	\$ 1,172,941	\$ (54,558)	\$ 1,118,383	\$ 1,260,403

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
EXPENSES:				
Program Services:				
Housing	\$ 676,927	\$ -	\$ 676,927	\$ 1,023,082
ReStore	<u>267,228</u>	<u>-</u>	<u>267,228</u>	<u>282,766</u>
Total Program Services	944,155	-	944,155	1,305,848
Supporting Services:				
Administration	100,826	-	100,826	109,097
Fundraising	<u>98,223</u>	<u>-</u>	<u>98,223</u>	<u>143,271</u>
Total Supporting Services	199,049	-	199,049	252,368
TOTAL EXPENSES	<u>\$ 1,143,204</u>	<u>\$ -</u>	<u>\$ 1,143,204</u>	<u>\$ 1,558,216</u>
CHANGE IN NET ASSETS	\$ 29,737	\$ (54,558)	\$ (24,821)	\$ (297,813)
NET ASSETS - BEGINNING OF YEAR	<u>979,138</u>	<u>165,692</u>	<u>1,144,830</u>	<u>1,442,643</u>
NET ASSETS - END OF YEAR	<u>\$ 1,008,875</u>	<u>\$ 111,134</u>	<u>\$ 1,120,009</u>	<u>\$ 1,144,830</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	Program Services	
	Housing	ReStore
Cost of homes sold	\$ 248,637	\$ -
Bad debt expense	28,380	-
Community awareness	18,389	21,119
Computer and internet	12,293	3,242
Dining, lodging and travel	2,828	929
Dues and subscriptions	935	460
Insurance	20,089	9,387
Interest	84,297	46,499
Licenses and fees	16,457	4,768
Office supplies and expense	1,089	1,372
Other building costs	3,509	28,075
Payroll taxes	19,921	11,159
Postage and freight	3,704	-
Printing and publications	12,272	337
Professional fees	6,046	3,016
Rent	10,288	-
Retirement	3,143	1,472
Salaries and wages	157,196	76,576
Telephone	4,126	4,370
Tithe/donations	15,911	-
Training and conferences	1,751	-
Utilities	878	20,368
Miscellaneous expense	2,841	2,042
	<hr/>	<hr/>
Total expense before depreciation	\$ 674,980	\$ 235,191
	<hr/>	<hr/>
Depreciation	1,947	32,037
	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 676,927</u>	<u>\$ 267,228</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

Supporting Services		Totals	
Administration	Fundraising	June 30, 2014	June 30, 2013
\$ -	\$ -	\$ 248,637	\$ 582,416
-	-	28,380	-
-	4,017	43,525	62,067
3,073	5,122	23,730	28,039
707	1,178	5,642	9,460
234	390	2,019	1,942
7,929	5,986	43,391	47,693
-	-	130,796	129,686
4,114	6,857	32,196	25,819
272	454	3,187	3,945
409	681	32,674	37,113
8,049	6,763	45,892	53,691
926	1,543	6,173	4,952
3,068	5,113	20,790	24,291
1,512	2,519	13,093	38,243
2,572	4,287	17,147	19,300
1,263	976	6,854	7,632
63,814	47,531	345,117	392,853
1,032	1,719	11,247	11,409
-	-	15,911	10,532
438	730	2,919	958
219	366	21,831	22,954
708	1,180	6,771	7,281
<u>\$ 100,339</u>	<u>\$ 97,412</u>	<u>\$ 1,107,922</u>	<u>\$ 1,522,276</u>
<u>487</u>	<u>811</u>	<u>35,282</u>	<u>35,940</u>
<u>\$ 100,826</u>	<u>\$ 98,223</u>	<u>\$ 1,143,204</u>	<u>\$ 1,558,216</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (24,821)	\$ (297,813)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	35,282	35,940
Bad debts	28,380	-
Gain on sale of assets	(831)	(14,337)
Mortgages issued	(97,841)	(216,189)
Mortgage imputed interest	(173,111)	(163,762)
Mortgage collections	261,103	260,513
(Increase) decrease in:		
Pledges receivable	26,178	(25,907)
Works in progress	(40,136)	162,325
Inventory	(3,236)	637
Prepaid expense	-	13,333
Prepaid insurance	141	(327)
Refundable deposits	500	-
Land available for construction	9,720	47,545
Increase (decrease) in:		
Accounts payable	(28,769)	(7,857)
Homeowner escrows	(3,349)	7,326
Wages and benefits payable	(2,830)	5,373
Net cash used by operating activities	<u>\$ (13,620)</u>	<u>\$ (193,200)</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted cash	\$ 10,451	\$ (1,875)
Proceeds from sale of assets	121,500	60,000
Capital acquisitions	<u>(1,626)</u>	<u>(1,658)</u>
Net cash provided by investing activities	<u>\$ 130,325</u>	<u>\$ 56,467</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	\$ 100,000	\$ 213,310
Payments on long-term debt	(140,860)	(125,570)
Proceeds from line of credit	50,000	-
Payments on line of credit	<u>(190)</u>	<u>-</u>
Net cash provided by financing activities	<u>\$ 8,950</u>	<u>\$ 87,740</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 125,655	\$ (48,993)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>115,796</u>	<u>164,789</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 241,451</u>	<u>\$ 115,796</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.

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 follows FASB ASC 958-205-45. 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, 2014 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. Accounting for Long-Lived Assets -

The Organization periodically reviews its long-lived assets to determine potential impairment by comparing their carrying value with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of expected future net cash flows be less than the carrying value, the Organization would recognize an impairment loss at that date. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value (estimated discounted future cash flows) of the long-lived assets. The Organization has determined that no impairment existed at June 30, 2014 and 2013.

i. 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.

j. Receivables -

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

k. 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.

l. 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.

m. 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.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

n. 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.

o. Customer Sales Tax -

The Organization collects sales tax from certain customers and remits the entire amount to the appropriate state. The Organization's accounting policy is to exclude the tax collected and remitted from revenues.

p. 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.

q. Advertising -

Advertising costs are expensed when incurred. Advertising costs for the years ended June 30, 2014 and 2013 were \$43,525 and \$62,067 respectively, which was included in program services, management and general, and fundraising.

r. 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 2010, which is the standard statute of limitations look-back period.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

s. Supplemental Disclosure of Cash Flow Information -

1. Cash payments for interest for the period was:

	<u>2014</u>	<u>2013</u>
Interest	\$ <u>67,986</u>	\$ <u>67,423</u>

t. 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, 2013, from which the summarized information was derived.

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>2014</u>	<u>2013</u>
Checking and savings	\$ 96,737	\$ 77,154
Money market	<u>144,714</u>	<u>38,642</u>
Total cash and cash equivalents	<u>\$ 241,451</u>	<u>\$ 115,796</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, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 51,588	\$ 54,381
Receivable in one to five years	65,513	123,907
Receivable more than five years	-	500
Allowance for doubtful receivables	<u>-</u>	<u>-</u>
Total pledges receivable	\$ 117,101	\$ 178,788
Less discounts to net present value	<u>(5,967)</u>	<u>(13,096)</u>
Net pledges receivable	<u>\$ 111,134</u>	<u>\$ 165,692</u>

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

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2014 and 2013 the second mortgages were valued at \$1,926,488 and \$1,998,341, 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 were \$173,111 and \$163,762 for the years ended June 30, 2014 and 2013, at interest rates varying from 6% to 9%. At June 30 the interest free mortgages were valued as follows:

	<u>2014</u>	<u>2013</u>
Mortgages	\$ 4,612,870	\$ 4,637,453
Less: imputed interest	<u>(2,399,504)</u>	<u>(2,433,936)</u>
	\$ 2,213,366	\$ 2,203,517
Less: current maturities	<u>(56,090)</u>	<u>(56,036)</u>
Total long-term mortgages	<u>\$ 2,157,276</u>	<u>\$ 2,147,481</u>

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

2015	\$ 56,090
2016	61,212
2017	66,296
2018	71,802
2019	76,651
Thereafter	<u>1,881,315</u>
Total	<u>\$ 2,213,366</u>

5. PROPERTY AND EQUIPMENT:

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

	<u>2014</u>	<u>2013</u>
Buildings	\$ 1,124,168	\$ 1,124,168
Tools and equipment	26,725	25,100
House sponsor signs	9,047	9,047
Computers and office equipment	58,257	58,257
Vehicles	<u>15,999</u>	<u>15,999</u>
	\$ 1,234,196	\$ 1,232,571
Less: accumulated depreciation	<u>(175,403)</u>	<u>(140,121)</u>
Net property and equipment	<u>\$ 1,058,793</u>	<u>\$ 1,092,450</u>

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY AND EQUIPMENT (CONTINUED):

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, 2014 and 2013 amounted to \$35,282 and \$35,940, respectively.

6. LONG-TERM DEBT:

	<u>2014</u>	<u>2013</u>
Habitat for Humanity of Minnesota, Inc. - Maturity dates from September 2020 to October 2040, monthly payments of \$7,230, with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity.	\$ 1,524,580	\$ 1,509,914
Maturity date January 2020, monthly payments of \$554, including interest at 3.0%, secured by mortgages held by Central Minnesota Habitat for Humanity.	34,121	39,652
Maturity date March 2019, single payment with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity.	18,077	18,077
Maturity date October 2034, monthly payments of \$449, including interest at 2.25%, secured by mortgages held by Central Minnesota Habitat for Humanity.	87,877	91,248
Maturity date November 2036, monthly payments of \$339, including interest at 3.0%, secured by mortgages held by Central Minnesota Habitat for Humanity.	66,306	68,351
Maturity date November 2037, monthly payments of \$497, including interest at 3.0%, secured by mortgages held by Central Minnesota Habitat for Humanity.	100,146	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.	207,830	216,178

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED):

	<u>2014</u>	<u>2013</u>
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>911,635</u>	<u>944,960</u>
	\$ 2,950,572	\$ 2,991,432
Less: current maturities	<u>(150,743)</u>	<u>(145,229)</u>
Total long-term debt	<u>\$ 2,799,829</u>	<u>\$ 2,846,203</u>

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

2015	\$ 150,743
2016	152,882
2017	155,300
2018	918,050
2019	135,491
Thereafter	<u>1,438,106</u>
Total	<u>\$ 2,950,572</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, 2015. At June 30, 2014 and 2013 the Organization had balances on the line of credit of \$124,305 and \$74,495, respectively.

8. DONATED GOODS AND SERVICES:

The following is a summary of substantiated donated goods and services received by the Organization during the years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Land and buildings	\$ 36,463	\$ -
Services	22,033	29,965
Materials and supplies	46,908	22,052
Interest due on loans payable	<u>62,810</u>	<u>62,263</u>
Total	<u>\$ 168,214</u>	<u>\$ 114,280</u>

In addition, a substantial number of volunteers have donated a significant amount of time and services to the Organization. Donated services that require specialized skill are recorded as in-kind donations at the time the service is performed.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. OPERATING LEASE:

The Organization leases a building from DJ Properties on a monthly basis. The lease agreement expires January 31, 2018, or sooner with proper notice. Under the terms of the lease, the Organization must pay monthly lease payments of \$2,080, increasing to \$2,426 on February 1, 2015. Rent expense totaled \$17,147 and \$19,300 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments under the lease are:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2015	\$ 26,690
2016	29,112
2017	29,112
2018	<u>16,982</u>
Total	<u>\$ 101,896</u>

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 \$6,854 and \$7,632 for the years ended June 30, 2014 and 2013, 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 15, 2014, the date the financial statements were available to be issued.