

**CENTRAL MINNESOTA HABITAT  
FOR HUMANITY**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**SCHLENNER WENNER & CO.  
Certified Public Accountants  
& Business Consultants**

**CENTRAL MINNESOTA HABITAT FOR HUMANITY  
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## INDEPENDENT AUDITORS' REPORT

October 15, 2015

Board of Directors  
Central Minnesota Habitat for Humanity  
Saint Cloud, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Central Minnesota Habitat for Humanity (a non-profit organization) which comprise the statement of financial position as of June 30, 2015, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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, 2015, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note J to the financial statements, the financial statements have been restated to correct a misstatement. Our opinion has not been modified with respect to this manner.

*Schlenner Wenner & Co.*

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

**CENTRAL MINNESOTA HABITAT FOR HUMANITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 193,710	
Accounts Receivable	313	
Current Maturities of Pledges Receivable (Net of Unamortized Discount)	58,594	
Current Maturities of Mortgages Receivable	63,075	
Work in Progress	387,885	
Inventory	5,586	
Prepaid Insurance	<u>12,598</u>	
Total Current Assets		\$ 721,761

**CASH IN ESCROW**

39,886

**PROPERTY AND EQUIPMENT**

Property and Equipment	1,236,757	
Less: Accumulated Depreciation	<u>210,559</u>	
Net Property and Equipment		1,026,198

**OTHER ASSETS**

Mortgages Receivable - Noncurrent (Net of Unamortized Discount)	2,196,554	
Pledges Receivable - Noncurrent (Net of Unamortized Discount)	33,843	
Land Available for Construction	451,371	
Refundable Deposits	<u>4,661</u>	
Total Other Assets		<u>2,686,429</u>

**TOTAL ASSETS**

\$ 4,474,274

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 42,787	
Other Payables	28,783	
Homeowner Escrows	40,361	
Line of Credit	121,161	
Current Maturities of Long-Term Debt	<u>114,731</u>	
Total Current Liabilities		\$ 347,823

**LONG-TERM DEBT, NET OF CURRENT PORTION**

2,233,077

**NET ASSETS**

Unrestricted	1,800,937	
Temporarily Restricted	<u>92,437</u>	
Total Net Assets		<u>1,893,374</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 4,474,274

**CENTRAL MINNESOTA HABITAT FOR HUMANITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>PUBLIC SUPPORT AND OTHER REVENUE</b>			
Contributions:			
Business	\$ 84,609	\$ -	\$ 84,609
Church	28,789	-	28,789
Grants and Foundations	304,700	-	304,700
In-kind	192,036	-	192,036
Individual	165,738	25,015	190,753
Service Group	25,883	-	25,883
Total Contributions	<u>801,755</u>	<u>25,015</u>	<u>826,770</u>
Sales of Completed Homes			
Sales Price	461,828	-	461,828
Less: Mortgage Discount	250,631	-	250,631
Net Home Sale	<u>211,197</u>		<u>211,197</u>
Fundraising Revenue, Net of Costs (\$13,345)	40,523	-	40,523
Interest	295,417	-	295,417
Other Income	5,554	-	5,554
ReStore Revenue	225,526	-	225,526
Net Assets Released from Restrictions	43,712	(43,712)	-
Total Public Support and Other Revenue	<u>1,623,684</u>	<u>(18,697)</u>	<u>1,604,987</u>
<b>EXPENSES</b>			
Program Services			
Housing	888,261	-	888,261
ReStore	261,208	-	261,208
Total Program Services	<u>1,149,469</u>	<u>-</u>	<u>1,149,469</u>
Administration	113,289	-	113,289
Fundraising	106,549	-	106,549
Total Expenses	<u>1,369,307</u>	<u>-</u>	<u>1,369,307</u>
<b>CHANGE IN NET ASSETS</b>	<u>254,377</u>	<u>(18,697)</u>	<u>235,680</u>
Net Assets -Beginning of Year, as previously reported	1,008,875	111,134	1,120,009
Prior Period Adjustment (Note J)	537,685	-	537,685
Net Assets -Beginning of Year, as restated	<u>1,546,560</u>	<u>111,134</u>	<u>1,657,694</u>
<b>NET ASSETS-End of Year</b>	<u>\$ 1,800,937</u>	<u>\$ 92,437</u>	<u>\$ 1,893,374</u>

**CENTRAL MINNESOTA HABITAT FOR HUMANITY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services		Supporting Services		Totals
	Housing	Restore	Administration	Fundraising	
<b>EXPENSES</b>					
Personnel Costs:					
Salaries and Wages	\$ 160,214	\$ 72,347	\$ 66,756	\$ 40,054	\$ 339,371
Payroll Taxes	18,587	9,663	7,745	4,647	40,642
Total	178,801	82,010	74,501	44,701	380,013
Cost of Homes Sold	484,756	-	-	-	484,756
Bad Debt Expense	100	100	-	-	200
Community Awareness	24,012	25,999	-	6,003	56,014
Computer and Internet	8,171	3,044	2,043	3,404	16,662
Dining, Lodging and Travel	5,154	2,527	1,289	2,147	11,117
Dues and Subscriptions	1,042	780	261	434	2,517
Insurance	15,306	7,362	6,378	3,827	32,873
Licenses and Fees	14,580	5,858	3,645	6,075	30,158
Offices Supplies and Expense	1,155	1,757	289	481	3,682
Other Building Costs	1,423	25,947	593	356	28,319
Postage and Freight	2,898	125	725	1,207	4,955
Printing and Publications	7,277	198	1,819	3,032	12,326
Professional Fees	53,682	4,566	13,421	22,368	94,037
Rent	16,222	1,000	4,055	6,759	28,036
Retirement	3,070	1,396	1,279	768	6,513
Telephone	4,052	3,369	1,013	1,688	10,122
Tithe/Donations	17,909	-	-	-	17,909
Training and Conferences	594	-	148	248	990
Utilities	-	11,664	-	-	11,664
Miscellaneous Expense	5,521	6,558	1,380	2,301	15,760
Total	666,924	102,250	38,338	61,098	868,610
Interest	40,735	44,794	-	-	85,529
Depreciation	1,801	32,154	450	750	35,155
Total	42,536	76,948	450	750	120,684
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 888,261</b>	<b>\$ 261,208</b>	<b>\$ 113,289</b>	<b>\$ 106,549</b>	<b>\$ 1,369,307</b>

**CENTRAL MINNESOTA HABITAT FOR HUMANITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015  
INCREASE (DECREASE) IN CASH**

**CASH FLOWS - OPERATING ACTIVITIES**

Change in Net Assets	\$	235,680	
Adjustments to Reconcile Change in Net Assets to Net Cash Flows - Operating Activities:			
Depreciation		35,155	
Discount on Long-Term Debt Proceeds		(9,565)	
Amortization of Discount on Long-Term Debt		33,453	
Mortgages Issued		(461,829)	
Amortization of Discounts on Mortgages Receivable		(295,275)	
Discount on Mortgage Receivable Originated		250,631	
Change in Assets and Liabilities			
Accounts Receivable		(95)	
Work in Progress		(163,050)	
Inventory		847	
Prepaid Insurance		(1,657)	
Mortgages Receivable		460,210	
Pledges Receivable		18,697	
Land Available for Construction		(59,408)	
Refundable Deposits		(2,000)	
Accounts Payable		25,867	
Other Payables		373	
Homeowner Escrows		5,284	
<b>Net Cash Flows - Operating Activities</b>		<u>                    </u>	\$ 73,318

**CASH FLOWS - INVESTING ACTIVITIES**

Change in Cash in Escrow		(5,136)	
Purchase of Equipment		(2,560)	
<b>Net Cash Flows - Investing Activities</b>		<u>                    </u>	(7,696)

**CASH FLOWS - FINANCING ACTIVITIES**

Proceeds from Long-Term Debt		58,980	
Principal Payments on Long-Term Debt		(147,947)	
Principal Payments on Line of Credit		(3,144)	
<b>Net Cash Flows - Financing Activities</b>		<u>                    </u>	(92,111)

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (26,489)

**CASH AND CASH EQUIVALENTS, Beginning of Year** 220,199

**CASH AND CASH EQUIVALENTS, End of Year** \$ 193,710

**SUPPLEMENTAL CASH FLOW DISCLOSURES:**

Cash Paid During the Year for Interest	<u>\$ 61,641</u>
Donated Goods and Services	<u>\$ 192,036</u>



**CENTRAL MINNESOTA HABITAT FOR HUMANITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of the nature of operations and significant accounting policies of Central Minnesota Habitat for Humanity (the Organization) is presented to assist in understanding the Organization's financial statements.

Nature of Operations

Central Minnesota Habitat for Humanity is a 501(c)(3) charitable organization incorporated in 1988 under the laws of the State of Minnesota and governed by a volunteer Board of Directors. The Organization became affiliated with Habitat for Humanity International in 1989.

The Organization 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.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized as it is earned and expenses are recorded as incurred.

Basis of Presentation

Central Minnesota Habitat for Humanity follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Not-for-Profit Entities* topic 958. The topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. *Not-for-Profit Entities* topic 958 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

*Unrestricted* – net assets that are not subject to any donor-imposed restrictions.

*Temporarily Restricted* – net assets subject to donor-imposed restrictions that can be met either by actions of the Organization and/or the passage of time.

*Permanently Restricted* – net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets as of June 30, 2015.

Additional information on how these standards have been applied by the Organization can be found in paragraphs describing Recognition of Contributions. The Organization has elected to present temporarily restricted contributions and investment earnings which are fulfilled in the same time period within the unrestricted net asset class.

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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash consists of cash held in checking, savings and money market accounts.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Credit Risk Related to Cash

The Organization maintains its cash and cash equivalents at several separate financial institutions, which, at times, may exceed federally insured limits (FDIC). The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant custodial risk on cash. At June 30, 2015, the Organization's bank balances were not in excess of federally insured limits.

Work in Progress and Inventory

The Organization values inventory by the first-in, first-out (FIFO) method. 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 at year end.

Other Receivables

Other receivables are carried at original amount and do not accrue interest. Other receivables are written off when deemed uncollectible. Other receivables are deemed uncollectible when all allowable collection procedures available to the Organization have been exhausted. Recoveries of accounts receivable previously written off are recorded when received. There were no known uncollectible accounts as of June 30, 2015.

Mortgage Receivables

Mortgage Receivables are carried at present value. See Note C for additional information.

Property and Equipment

Property and equipment are carried at historical cost. 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. Replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are expensed in the current period.

Depreciation

Depreciation is computed using the straight line method for financial reporting purposes. Depreciation of property and equipment are based on useful lives ranging from three to forty years. Depreciation expense amounts to \$35,155 for the fiscal year ended June 30, 2015.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Recognition of Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulation 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.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue and Cost Recognition

The Organization recognizes revenue from all home building activities at the closing of the sale using the completed contract method. This method is used because of the nature of the homebuilding and selling transactions. During construction, all direct material and labor costs plus indirect costs related to acquisition and construction are capitalized and shown as assets called "Work in Progress" and "Land Available for Construction." These capitalized costs are charged to earnings at the time of closing when the sale is recorded. Costs incurred in connection with completed homes, program costs and supporting costs are charged to expenses as incurred.

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 and is recognized as revenue when sold.

Donated Land, Property, and Equipment

Donations of land, property, and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire land, property, and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. There were no such donations for the year ended June 30, 2015.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC Topic 958, *Not-for-Profit Entities*, only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization generally pays for services requiring specific expertise. The Organization receives donated services such as plumbing and electrical work on the houses, as well as legal services.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated primarily based on employee time reports.

Fundraising Expense

The Organization expenses fundraising costs as they are incurred.

Income Taxes

The Organization follows FASB ASC Topic 740, *Uncertainty in Income Taxes*. The Organization is recognized by the Internal Revenue Service as a not-for profit organization under IRS Code Section 501(c)(3). Due to the not-for-profit nature and provision of the Organization, all income and expenses attributable to the mission of the Organization are tax exempt and accordingly no provision or liability for income taxes has been made in the financial statements and contributions to the Organization are tax deductible to donors as allowed by IRS regulations. However, the Organization is required to pay state and federal income taxes on unrelated business income. If the Organization were to engage in any activities that resulted in unrelated business income, a tax would be assessed on that activity. The Organization is open and subject to examination generally for three years after the filing date.

Advertising

The Organization expenses advertising costs when incurred. Advertising costs for the year ended June 30, 2015 total \$56,014.

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.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE B 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, 2015 are as follows:

	2015
Receivable in less than one year	\$ 60,938
Receivable in one to five years	37,138
Receivable more than five years	-
Allowance for doubtful receivables	-
Total Pledges Receivable	\$ 98,076
Less: Discounts to Net Present Value	5,639
Net Pledges Receivable	\$ 92,437

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

**NOTE C MORTGAGES RECEIVABLE**

The Organization's policy is to sell completed housing to qualifying individuals at zero percent interest. The interest free mortgages require fixed monthly payments over a period of 15 to 30 years. In order to reflect receivable values that more closely reflect current economic conditions, these mortgage receivables have been discounted to their present value based upon prevailing market interest rates between 6.0% and 9.0%. Discounts are amortized and recognized as income over the life of the mortgage using the interest method. All mortgages are secured by liens on the homes sold. At June 30, 2015, the Organization has mortgages receivable, deemed 100% collectable, as follows:

	2015
Mortgages	\$ 4,614,490
Less: Imputed Interest	2,354,861
	\$ 2,259,629
Less: Current Maturities	63,075
Total Long-Term Mortgages	\$ 2,196,554

At June 30, 2015, estimated future collections of mortgages are as follows:

2016	\$ 63,075
2017	68,295
2018	73,948
2019	79,905
2020	83,980
Thereafter	1,890,426
Total	\$ 2,259,629

At the time the homes are sold, the Organization also receives a second mortgage plus a deed restriction from each qualifying new homeowner for an amount equal to the difference between the market value and the actual sales price. The second mortgage requires no payment and is collectible only in the event the property is sold or refinanced prior to paying off the first mortgage. The second mortgage is fully forgiven once the first mortgage is paid in full. The deed restriction is reduced on a monthly prorated basis over the first five years. The receivables for the second mortgage and the deed restriction are not shown on the Statement of Financial Position as an asset since they are not expected to be realized.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE D PROPERTY AND EQUIPMENT**

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

	2015
Buildings	\$ 1,124,168
Tools and Equipment	27,319
House Sponsor Signs	11,014
Computers and Office Equipment	58,257
Vehicles	15,999
	\$ 1,236,757
Less: Accumulated Depreciation	210,559
Net Property and Equipment	\$ 1,026,198

**NOTE E LONG-TERM DEBT**

The Organization's policy is to obtain long-term debt at zero percent interest when possible. The interest free long-term debt requires fixed monthly payments over a period of time. In order to present long-term debt values that more closely reflect current economic conditions, these long-term debt have been discounted to their present value based upon prevailing market interest rates between 3.0% and 7.0%. Discounts are amortized and recognized as interest over the life of the note using the interest rate method. Long-term debt consists of the following at the year ended June 30, 2015:

Notes Payable to 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	\$ 1,449,212
Maturity date October 2034, monthly payments of \$449, including interest at 2.25%, secured by mortgages held by Central Minnesota Habitat for Humanity	84,429
Maturity date November 2036, monthly payments of \$339, including interest at 3.00%, secured by mortgages held by Central Minnesota Habitat for Humanity	64,200
Maturity date November 2037, monthly payments of \$497, including interest at 3.00%, secured by mortgages held by Central Minnesota Habitat for Humanity	97,151
Maturity date January 2040, monthly payments of \$242, including interest at 3.00%, secured by mortgages held by Central Minnesota Habitat for Humanity	50,388

**CENTRAL MINNESOTA HABITAT FOR HUMANITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE E LONG-TERM DEBT** (Continued)

Note Payable to Limited Partnership	
Maturity date May 2018, monthly payments of \$6,652 including interest at 5.00%, secured by real estate	876,605
Notes 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	\$ 350,436
Maturity date January 2020, monthly payments of \$554, including interest at 3.00%, secured by mortgages held by Central Minnesota Habitat for Humanity	28,422
Maturity date March 2019, single payment with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity	<u>18,077</u>
	\$ 3,018,920
Less Imputed Interest	<u>671,112</u>
	<u>2,347,808</u>
Less Current Maturities	<u>114,731</u>
Total Long-Term Debt	<u><u>\$ 2,233,077</u></u>

At June 30, 2015, estimated future payments on long-term debt are as follows:

Year Ended June 30,	Amounts
2016	\$ 114,731
2017	117,218
2018	880,012
2019	97,498
2020	77,141
Thereafter	<u>1,061,208</u>
Total	<u><u>\$ 2,347,808</u></u>

**NOTE F 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 variable rate equal to the prime rate with a floor of 5.75% per annum. Any outstanding balance is due October 16, 2015. At June 30, 2015, the balance of the line of credit is \$121,161. Subsequent to the Organization's year end but prior to the issuance of the financial statements, the line of credit has been renewed. See Note K.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE G DONATED GOODS AND SERVICES**

The Organization has a substantial number of volunteers that donate a significant amount of time and services to the Organization. Donated services that require specialized skills are recorded as in-kind donations at the time the service is performed. The following is a summary of substantiated donated goods and services received by the Organization during the year ended June 30, 2015.

	2015
Land and Buildings	\$ 87,695
Community Awareness	29,022
Materials and Supplies	10,783
Professional Fees	64,536
Total	\$ 192,036

**NOTE H OPERATING LEASE**

The Organization leases a building on a monthly basis. The lease agreement expires January 31, 2018, or sooner with proper notice. Under the terms on the lease, the Organization must pay monthly lease payments of \$2,143 through January 31, 2015 and \$2,489 per month thereafter. The Organization also leases another building on a monthly basis. The lease agreement expires June 17, 2015 and is then a month-to-month lease through May 17, 2016, which is cancellable with a 30-day written noticed. Under the terms on the lease, the Organization must pay monthly lease payments of \$500.

At June 30, 2015, estimated future minimum lease payments are as follows:

Year Ended June 30,	Amounts
2016	\$ 35,368
2017	29,868
2018	17,066
Total	\$ 82,302

**NOTE I 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 total \$5,117 for the year ended June 30, 2015.

**CENTRAL MINNESOTA HABITAT FOR HUMANITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE J    CORRECTION OF AN ERROR**

During the year ended June 30, 2015, the Organization determined that prior period adjustments were necessary to correct errors in the Organization's prior year financial statements. A prior period adjustment was recorded to book an interest discount on the interest free long-term debt. The following table shows the impact of the prior period adjustments to the June 30, 2014 financial statement.

June 30, 2014 Net Assets, as previously stated	\$	1,120,009
Understatement of discount on Long-Term Debt		<u>537,685</u>
June 30, 2014 Net Assets, as restated	\$	<u><u>1,657,694</u></u>
Change in Net Assets for the year ended		
June 30, 2014, as previously stated	\$	(24,821)
Overstatement of amortization of discounts on Long-Term Debt		<u>43,924</u>
June 30, 2014 Net Assets, as restated	\$	<u><u>19,103</u></u>

**NOTE K    CONTINGENCIES AND SUBSEQUENT EVENTS**

In accordance with FASB ASC Topic 885, *Subsequent Events*, the Organization has evaluated subsequent events through October 15, 2015, which is the date these financial statements were available to be issued, and have determined there are subsequent events that require recognition or disclosure as follows:

On August 26, 2015 the Organization extended the line of credit through August 16, 2016 for \$125,000 with a variable interest rate equal to the prime rate, with a floor of 5.75%.

On August 28, 2015 the Organization entered into a loan with Stearns Bank National Association for \$63,900 that matures on January 28, 2016 with an interest rate of 5.75%.

As of October 15, 2015, there are three mortgages receivable totaling \$281,757 that are currently in foreclosure.