

October 12, 2016

Board of Directors
Central Minnesota Habitat for Humanity
3335 West Saint German Street, Suite 108
St. Cloud, MN 56301

Dear Marie:

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements of Central Minnesota Habitat for Humanity as of June 30, 2016 and 2015. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our report(s) on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors, or "experts," in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, Central Minnesota Habitat for Humanity will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, Central Minnesota Habitat for Humanity also agrees to provide us with printer's proofs final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when Central Minnesota Habitat for Humanity seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve you.

Sincerely,



Molly Thompson, Partner
SCHLENNER WENNER & CO.

**CENTRAL MINNESOTA HABITAT
FOR HUMANITY**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
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INDEPENDENT AUDITORS' REPORT

October 12, 2016

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 (the Organization) which comprise the statements of financial position as of June 30, 2016 and 2015, the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

ASSETS	2016	2015
CURRENT ASSETS		
Cash	\$ 228,118	\$ 193,710
Accounts Receivable	218	313
Current Maturities of Pledges Receivable (Net of Unamortized Discount)	44,258	58,594
Current Maturities of Mortgages Receivable	69,475	63,075
Inventory	2,230	5,586
Prepaid Insurance	7,105	12,598
Total Current Assets	351,404	333,876
CASH IN ESCROW	66,949	39,886
PROPERTY AND EQUIPMENT		
Property and Equipment	1,222,819	1,236,757
Less: Accumulated Depreciation	230,556	210,559
Net Property and Equipment	992,263	1,026,198
OTHER ASSETS		
Mortgages Receivable - Noncurrent (Net of Unamortized Discount)	2,232,488	2,196,554
Pledges Receivable - Noncurrent (Net of Unamortized Discount)	42,668	33,843
Work in Progress	87,286	123,970
Real Estate Available for Construction	391,039	412,476
Real Estate Available for Sale	127,622	302,810
Refundable Deposits	1,661	4,661
Total Other Assets	2,882,764	3,074,314
TOTAL ASSETS	\$ 4,293,380	\$ 4,474,274
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 46,080	\$ 42,787
Other Payables	16,406	28,783
Homeowner Escrows	67,424	40,361
Line of Credit	88,523	121,161
Current Maturities of Long-Term Debt	118,266	114,731
Total Current Liabilities	336,699	347,823
LONG-TERM DEBT, NET OF CURRENT MATURITIES	2,141,046	2,233,077
NET ASSETS		
Unrestricted	1,728,709	1,800,937
Temporarily Restricted	86,926	92,437
Total Net Assets	1,815,635	1,893,374
TOTAL LIABILITIES AND NET ASSETS	\$ 4,293,380	\$ 4,474,274

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
PUBLIC SUPPORT AND OTHER REVENUE			
Contributions:			
Business	\$ 114,850	\$ -	\$ 114,850
Church	23,269	-	23,269
Grants and Foundations	217,093	-	217,093
In-kind	172,765	-	172,765
Individual	130,323	41,380	171,703
Service Group	18,574	-	18,574
Total Contributions	<u>676,874</u>	<u>41,380</u>	<u>718,254</u>
Sales of Completed Homes			
Sales Price	586,838	-	586,838
Less: Mortgage Discount	321,669	-	321,669
Net Home Sale	<u>265,169</u>		<u>265,169</u>
Fundraising Revenue, Net of Costs	20,844	-	20,844
Interest	325,016	-	325,016
Other Income	2,870	-	2,870
Gain on Sale of Assets	25,436	-	25,436
ReStore Revenue	246,028	-	246,028
Net Assets Released from Restrictions	<u>46,891</u>	<u>(46,891)</u>	<u>-</u>
Total Public Support and Other Revenue	1,609,128	(5,511)	1,603,617
EXPENSES			
Program Services			
Housing	1,150,862	-	1,150,862
ReStore	319,381	-	319,381
Total Program Services	<u>1,470,243</u>	<u>-</u>	<u>1,470,243</u>
Administration	105,507	-	105,507
Fundraising	105,606	-	105,606
Total Expenses	<u>1,681,356</u>	<u>-</u>	<u>1,681,356</u>
CHANGE IN NET ASSETS	(72,228)	(5,511)	(77,739)
NET ASSETS, Beginning of Year	<u>1,800,937</u>	<u>92,437</u>	<u>1,893,374</u>
NET ASSETS, End of Year	<u>\$ 1,728,709</u>	<u>\$ 86,926</u>	<u>\$ 1,815,635</u>

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

	Unrestricted	Temporarily Restricted	Totals
PUBLIC SUPPORT AND OTHER REVENUE			
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	801,755	25,015	826,770
Sales of Completed Homes			
Sales Price	461,828	-	461,828
Less: Mortgage Discount	250,631	-	250,631
Net Home Sale	211,197	-	211,197
Fundraising Revenue, Net of Costs	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	1,623,684	(18,697)	1,604,987
EXPENSES			
Program Services			
Housing	888,261	-	888,261
ReStore	261,208	-	261,208
Total Program Services	1,149,469	-	1,149,469
Administration	113,289	-	113,289
Fundraising	106,549	-	106,549
Total Expenses	1,369,307	-	1,369,307
CHANGE IN NET ASSETS	254,377	(18,697)	235,680
NET ASSETS, Beginning of Year	1,546,560	111,134	1,657,694
NET ASSETS, End of Year	\$ 1,800,937	\$ 92,437	\$ 1,893,374

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Totals</u>
	<u>Housing</u>	<u>Restore</u>	<u>Administration</u>	<u>Fundraising</u>	
EXPENSES					
Personnel Costs:					
Salaries and Wages	\$ 143,094	\$ 100,306	\$ 59,623	\$ 35,773	\$ 338,796
Payroll Taxes	<u>11,747</u>	<u>10,314</u>	<u>4,895</u>	<u>2,937</u>	<u>29,893</u>
Total	154,841	110,620	64,518	38,710	368,689
Cost of Homes Sold	729,236	-	-	-	729,236
Community Awareness	24,871	42,623	-	6,218	73,712
Computer and Internet	8,473	4,755	2,118	3,530	18,876
Dining, Lodging and Travel	2,555	1,618	639	1,064	5,876
Dues and Subscriptions	1,013	5,405	253	422	7,093
Insurance	12,206	7,040	5,086	3,051	27,383
Licenses and Fees	20,098	6,625	5,024	8,374	40,121
Offices Supplies and Expense	1,448	736	362	603	3,149
Other Building Costs	2,026	32,605	844	506	35,981
Postage and Freight	5,123	1,768	1,281	2,135	10,307
Printing and Publications	16,912	570	4,228	7,047	28,757
Professional Fees	55,316	1,974	13,829	23,048	94,167
Rent	17,467	6,375	4,367	7,278	35,487
Retirement	2,951	1,843	1,230	738	6,762
Telephone	3,333	4,017	833	1,389	9,572
Tithe/Donations	10,749	-	-	-	10,749
Training and Conferences	367	-	92	153	612
Utilities	85	14,759	21	35	14,900
Miscellaneous Expense	<u>2,062</u>	<u>833</u>	<u>515</u>	<u>859</u>	<u>4,269</u>
Total	916,291	133,546	40,722	66,450	1,157,009
Interest	78,660	43,062	-	-	121,722
Depreciation	<u>1,070</u>	<u>32,153</u>	<u>267</u>	<u>446</u>	<u>33,936</u>
Total	<u>79,730</u>	<u>75,215</u>	<u>267</u>	<u>446</u>	<u>155,658</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,150,862</u>	<u>\$ 319,381</u>	<u>\$ 105,507</u>	<u>\$ 105,606</u>	<u>\$ 1,681,356</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	
EXPENSES					
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
TOTAL FUNCTIONAL EXPENSES	\$ 888,261	\$ 261,208	\$ 113,289	\$ 106,549	\$ 1,369,307

**CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
INCREASE (DECREASE) IN CASH**

	2016	2015
CASH FLOWS - OPERATING ACTIVITIES		
Change in Net Assets	\$ (77,739)	\$ 235,680
Adjustments to Reconcile Change in Net Assets to Net Cash Flows - Operating Activities:		
Depreciation	33,936	35,155
Discount on Long-Term Debt Proceeds	-	(9,565)
Amortization of Discount on Long-Term Debt	59,052	33,453
Mortgages Issued	(586,838)	(461,829)
Amortization of Discounts on Mortgages Receivable	(324,941)	(295,275)
Discount on Mortgage Receivable Originated	321,670	250,631
Change in Assets and Liabilities		
Accounts Receivable	95	(95)
Inventory	3,356	847
Prepaid Insurance	5,493	(1,657)
Mortgages Receivable	547,775	460,210
Pledges Receivable	5,511	18,697
Work in Progress	36,684	(27,736)
Real Estate Available for Construction	21,437	(2,663)
Real Estate Available for Sale	175,188	(192,059)
Refundable Deposits	3,000	(2,000)
Accounts Payable	3,293	25,867
Other Payables	(12,377)	373
Homeowner Escrows	27,063	5,284
Net Cash Flows - Operating Activities	241,658	73,318
CASH FLOWS - INVESTING ACTIVITIES		
Change in Cash in Escrow	(27,063)	(5,136)
Disposal of Equipment	-	(2,560)
Net Cash Flows - Investing Activities	(27,063)	(7,696)
CASH FLOWS - FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	58,980
Principal Payments on Long-Term Debt	(147,549)	(147,947)
Principal Payments on Line of Credit	(32,638)	(3,144)
Net Cash Flows - Financing Activities	(180,187)	(92,111)
NET CHANGE IN CASH AND CASH EQUIVALENTS	34,408	(26,489)
CASH AND CASH EQUIVALENTS, Beginning of Year	193,710	220,199
CASH AND CASH EQUIVALENTS, End of Year	\$ 228,118	\$ 193,710
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash Paid During the Year for Interest	\$ 62,670	\$ 61,641
Donated Goods and Services	\$ 172,765	\$ 192,036
Disposal of Fully Depreciated Equipment	\$ 13,938	\$ -

See accompanying notes.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 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 their home.

Basis of Accounting

The financial statements of Central Minnesota Habitat for Humanity are prepared on the accrual basis of accounting. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned, and expenses are recorded when 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 – Those resources which are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These are resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or by passage of time.

Permanently Restricted – Those resources subject to donor-imposed restriction that the resources be maintained permanently by the Organization. As of June 30, 2016 and 2015, the Organization has no permanently restricted net assets.

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, 2016 AND 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, 2016 and 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, 2016 and 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 thirty-nine years. Depreciation expense amounts to \$33,936 and \$35,155 for the years ended June 30, 2016 and 2015, respectively.

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.

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.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Cost Recognition (Continued)

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, 2016 and 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 totaled \$73,712 and \$56,014 for the years ended June 30, 2016 and 2015, respectively.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform with the present year presentation. Such reclassifications have not impact on the change in net assets.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 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, 2016 and 2015 are as follows:

	2016	2015
Receivable in less than one year	\$ 46,028	\$ 60,938
Receivable in one to five years	45,602	37,138
Receivable more than five years	2,519	-
Total Pledges Receivable	94,149	98,076
Less: Discounts to Net Present Value	7,223	5,639
Net Pledges Receivable	\$ 86,926	\$ 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, 2016 and 2015, the Organization has mortgages receivable, deemed 100% collectable, as follows:

	2016	2015
Mortgages	\$ 4,653,553	\$ 4,614,490
Less: Imputed Interest	2,351,590	2,354,861
	2,301,963	2,259,629
Less: Current Maturities	69,475	63,075
Total Long-Term Mortgages	\$ 2,232,488	\$ 2,196,554

At June 30, 2016, estimated future collections of mortgages are as follows:

Year Ended June 30	Amounts
2016	\$ 69,475
2017	75,207
2018	81,248
2019	85,412
2020	90,344
Thereafter	1,900,277
Total	\$ 2,301,963

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, 2016 AND 2015

NOTE D PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016 and 2015:

	2016	2015
Buildings	\$ 1,124,168	\$ 1,124,168
Tools and Equipment	13,381	27,319
House Sponsor Signs	11,014	11,014
Computers and Office Equipment	58,257	58,257
Vehicles	15,999	15,999
	1,222,819	1,236,757
Less: Accumulated Depreciation	230,556	210,559
Net Property and Equipment	\$ 992,263	\$ 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 years ended June 30, 2016 and 2015:

	June 30,	
	2016	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	\$ 1,369,196	\$ 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	80,903	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	62,030	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	94,064	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	48,980	50,388

CENTRAL MINNESOTA HABITAT FOR HUMANITY
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JUNE 30, 2016 AND 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. A balloon payment of \$770,785 is due upon maturity		
\$	839,843	\$ 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		
	335,729	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		
	22,549	28,422
Maturity date March 2019, single payment with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity		
	18,077	18,077
	<u>2,871,371</u>	<u>3,018,920</u>
Less Imputed Interest	<u>612,059</u>	<u>671,112</u>
	2,259,312	2,347,808
Less Current Maturities	<u>118,266</u>	<u>114,731</u>
Total Long-Term Debt	<u>\$ 2,141,046</u>	<u>\$ 2,233,077</u>

At June 30, 2016, estimated future payments on long-term debt are as follows:

Year Ended June 30,	Amounts
2017	\$ 118,266
2018	881,060
2019	98,547
2020	78,190
2021	74,668
Thereafter	<u>1,008,581</u>
Total	<u>\$ 2,259,312</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 August 16, 2016. At June 30, 2016 and 2015, the balance of the line of credit is \$88,523 and \$121,161, respectively. 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 J.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 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, 2016 and 2015:

	2016	2015
Land and Buildings	\$ 93,652	\$ 87,695
Community Awareness	28,487	29,022
Materials and Supplies	8,752	10,783
Professional Fees	41,874	64,536
Total	\$ 172,765	\$ 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 \$2,489. The Organization also leases another building on a monthly basis. The lease agreement expires June 17, 2016 and is then a month-to-month lease through May 17, 2017, 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, 2016, estimated future minimum lease payments are as follows:

Year Ended June 30,	Amounts
2017	\$ 35,368
2018	17,066
Total	\$ 52,434

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. Contributions to the plan total \$4,919 and \$5,117 for the years ended June 30, 2016 and 2015, respectively.

NOTE J CONTINGENCIES AND SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 885, *Subsequent Events*, the Organization has evaluated subsequent events through October 12, 2016, 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 September 9, 2016 the Organization extended the line of credit through August 16, 2017 for \$100,000 with a variable interest rate equal to the prime rate, with a floor of 5.75%.