Habitat for Humanity of Greater Orlando, Inc. and Subsidiary

Consolidated Financial Statements
Years Ended June 30, 2016 and 2015

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Consolidated Financial Statements

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Contents

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Independent Auditor's Report

Board of Directors
Habitat for Humanity of Greater Orlando, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Greater Orlando, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Orlando, Inc. and Subsidiary as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

BDO USA, LLP
December 16, 2016

Consolidated Financial Statements

Habitat for Humanity of Greater Orlando, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30,	**2016**	2015
Assets		
Cash and cash equivalents	**$ 1,189,244**	$ 907,920
Grants receivable	**175,680**	245,500
Contributions receivable, net (Note 2)	**135,427**	128,850
Home inventory	**1,779,899**	218,947
Homes in process	**1,522,236**	2,010,517
Land held for development	**228,324**	512,623
Other assets	**204,673**	115,222
Property and equipment, net (Note 3)	**421,325**	502,703
Mortgage loans receivable, net (Note 4)	**6,825,772**	5,360,370
	$12,482,580	$ 10,002,652
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 197,339**	$ 115,485
Accrued expenses	**110,604**	100,252
Line of credit (Note 5)	**874,996**	1,300,000
Notes payable (Note 6)	**2,671,779**	–
Deferred rent	**144,664**	183,095
Grant advances	**146,530**	398,358
Total liabilities	**4,145,912**	2,097,190
Commitments (Note 7)		
Net assets:		
Unrestricted	**8,201,241**	7,778,207
Temporarily restricted (Note 9)	**135,427**	127,255
Total net assets	**8,336,668**	7,905,462
	$12,482,580	$ 10,002,652

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Greater Orlando, Inc. and Subsidiary

Consolidated Statements of Activities

Year Ended June 30,	2016 Unrestricted	2016 Temporarily Restricted	2016 Total	2015 Unrestricted	2015 Temporarily Restricted	2015 Total
Revenue, support and losses:						
Sales to homeowners	**$ 2,488,304**	**$ –**	**$ 2,488,304**	$ 2,338,331	$ –	$ 2,338,331
Grants	**947,217**	**–**	**947,217**	1,619,302	–	1,619,302
Contributions	**2,003,560**	**120,000**	**2,123,560**	898,306	–	898,306
Thrift shop sales	**1,836,364**	**–**	**1,836,364**	2,005,819	–	2,005,819
In-kind contributions	**883,502**	**–**	**883,502**	300,289	–	300,289
Amortization of mortgage loan discounts	**188,287**	**–**	**188,287**	153,911	–	153,911
Interest income	**4,892**	**–**	**4,892**	4,195	–	4,195
Loss on impairment of land held for development and other assets	**(322,209)**	**–**	**(322,209)**	–	–	–
Other income	**–**	**–**	**–**	30,555	–	30,555
Net assets released from restrictions (Note 9)	**111,828**	**(111,828)**	**–**	398,299	(398,299)	–
Total revenue, support and losses	**8,141,745**	**8,172**	**8,149,917**	7,749,007	(398,299)	7,350,708
Functional expenses:						
Program services	**6,781,627**	**–**	**6,781,627**	5,996,296	–	5,996,296
Fundraising	**490,616**	**–**	**490,616**	529,635	–	529,635
Management and general	**446,468**	**–**	**446,468**	245,955	–	245,955
Total functional expenses	**7,718,711**	**–**	**7,718,711**	6,771,886	–	6,771,886
Change in net assets	**423,034**	**8,172**	**431,206**	977,121	(398,299)	578,822
Net assets, beginning of year	**7,778,207**	**127,255**	**7,905,462**	6,801,086	525,554	7,326,640
Net assets, end of year	**$ 8,201,241**	**$ 135,427**	**$ 8,336,668**	$ 7,778,207	$ 127,255	$ 7,905,462

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Greater Orlando, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Year Ended June 30,	**2016**	2015
Cash flows from operating activities:		
Change in net assets	**$ 431,206**	$ 578,822
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	**81,386**	63,448
Loss on impairment of land held for development and other assets	**322,209**	–
Loss on disposal of equipment	**22,047**	–
Amortization of mortgage loan discounts	**(188,287)**	(153,911)
Issuance of mortgage loans upon sale of home inventory	**(2,267,926)**	(2,091,400)
Discounts on mortgage originations and sales	**908,149**	580,931
Cash provided by (used for):		
Grants and contributions receivable	**63,243**	456,718
Home inventory	**(1,560,952)**	474,028
Homes in process	**488,281**	(1,376,102)
Land held for development	**43,043**	20,788
Mortgage payments received	**388,460**	326,762
Other assets	**(128,680)**	(26,961)
Accounts payable and accrued expenses	**92,206**	90,273
Deferred rent	**(38,431)**	31,513
Grant advances	**(251,828)**	(511,637)
Net cash used for operating activities	**(1,595,874)**	(1,536,728)
Cash flows from investing activities:		
Purchases of property and equipment	**(6,008)**	(27,503)
Cash flows from financing activities:		
Proceeds from borrowings on notes payable	**2,886,381**	–
Repayments on notes payable	**(520,400)**	–
Loan costs	**(57,771)**	–
Net (repayments) borrowings on line of credit	**(425,004)**	1,300,000
Net cash provided by (used for) financing activities	**1,883,206**	1,300,000
Net increase (decrease) in cash and cash equivalents	**281,324**	(264,231)
Cash and cash equivalents, beginning of year	**907,920**	1,172,151
Cash and cash equivalents, end of year	**$ 1,189,244**	$ 907,920
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ 71,571**	$ 58,953

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Greater Orlando, Inc. and Subsidiary

Consolidated Statements of Functional Expenses

Year Ended June 30,	2016 Program Services	2016 Supporting Services Fundraising	2016 Supporting Services Management and General	2016 Total	2015 Program Services	2015 Supporting Services Fundraising	2015 Supporting Services Management and General	2015 Total
Cost of building materials and supplies sold	**$ 2,482,377**	**$ –**	**$ –**	**$ 2,482,377**	$ 2,697,325	$ –	$ –	$ 2,697,325
Payroll expenses	**1,749,923**	**343,540**	**321,388**	**2,414,851**	1,385,076	299,908	166,915	1,851,899
Discounts on mortgage originations and sales	**908,149**	**–**	**–**	**908,149**	580,931	–	–	580,931
Tithe to Habitat International (Note 8)	**54,000**	**–**	**–**	**54,000**	45,000	–	–	45,000
Promotional expenses	**12,892**	**37,589**	**–**	**50,481**	14,848	33,605	–	48,453
Insurance	**36,783**	**4,383**	**4,706**	**45,872**	44,130	17,576	10,528	72,234
Rent and other occupancy costs	**633,454**	**17,492**	**16,364**	**667,310**	517,634	32,628	18,159	568,421
Interest and borrowing expenses	**91,502**	**–**	**–**	**91,502**	58,953	–	–	58,953
Depreciation and amortization	**67,573**	**7,137**	**6,676**	**81,386**	49,036	9,259	5,153	63,448
Professional fees	**115,998**	**15,911**	**14,885**	**146,794**	83,730	24,621	13,703	122,054
Property maintenance	**12,172**	**–**	**–**	**12,172**	19,081	–	–	19,081
Office expenses	**69,992**	**19,192**	**17,955**	**107,139**	23,646	6,206	3,454	33,306
Telephone	**18,044**	**4,460**	**4,173**	**26,677**	17,450	5,569	3,099	26,118
Closing and mortgage servicing costs	**37,675**	**–**	**–**	**37,675**	34,761	–	–	34,761
Transportation	**48,670**	**–**	**–**	**48,670**	67,956	5,968	3,322	77,246
Utilities	**113,593**	**4,569**	**4,275**	**122,437**	121,269	7,217	4,017	132,503
Volunteer expenses	**5,231**	**–**	**–**	**5,231**	6,032	2,487	1,384	9,903
Board/staff development	**45,966**	**16,006**	**14,974**	**76,946**	10,616	56,752	2,262	69,630
Family services	**–**	**–**	**–**	**–**	11,754	–	–	11,754
Printing and postage	**15,513**	**5,452**	**5,100**	**26,065**	7,755	2,549	1,419	11,723
Home repairs	**145,338**	**–**	**–**	**145,338**	80,354	–	–	80,354
Property tax	**15,620**	**–**	**–**	**15,620**	12,142	–	–	12,142
Other	**101,162**	**14,885**	**13,925**	**129,972**	106,817	25,290	12,540	144,647
Loss on disposal of equipment	**–**	**–**	**22,047**	**22,047**	–	–	–	–
Total functional expenses	**$ 6,781,627**	**$ 490,616**	**$ 446,468**	**$ 7,718,711**	$ 5,996,296	$ 529,635	$ 245,955	$ 6,771,886

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Nature of Organization

Habitat for Humanity of Greater Orlando Area, Inc. ("Habitat") (a nonprofit corporation) was incorporated on May 12, 1986. On June 22, 2015, the Habitat changed its name to Habitat for Humanity of Greater Orlando, Inc. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

On October 20, 2015, Habitat formed a single member limited liability corporation, HFHGO Funding Company I, LLC (the "Funding Company"), the sole member of which is Habitat (collectively, the "Organization"). The Funding Company was formed for the purpose of entering into certain business transactions on behalf and for the benefit of Habitat.

Principles of Consolidation

The consolidated financial statements include the accounts of Habitat and its wholly-owned subsidiary, Funding Company. All significant intercompany balances and transactions have been eliminated.

Liquidity

Assets are presented in the accompanying consolidated statements of financial position according to their nearness of conversion to cash and liabilities to their nearness of their maturity and resulting use of cash.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions receivable are unconditional promises to give and are recorded when the promises to give are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Organization provides an allowance for uncollectible pledges at the time contributions are recorded based on historical write-offs.

Net Assets

Unrestricted net assets consist of amounts that are available for use in carrying out the activities of the Organization. Temporarily restricted net assets represent those amounts which are not available until future periods or are donor restricted for specific purposes. Permanently restricted net assets result from gifts and bequests from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity. The Organization did not have any permanently restricted net assets at June 30, 2016 or 2015.

Contributions and Restrictions

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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

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.

Grant Revenue, Grants Receivable and Grant Advances

The majority of the Organization’s grants received for home construction are exchange transactions in which each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as revenue when such funds have been expended towards their designated purpose. Grants receivable consist of amounts due under these grants and the Organization considers all amounts to be fully collectible as of June 30, 2016. Grant advances represents grants received for future construction and rehabilitation of homes.

Land Held for Development, Home Inventory and Homes In Process

Land held for development, home inventory and homes in process are stated at lower of cost or fair value and consist of undeveloped land, completed and in-process homes which have not yet been sold or transferred to homeowners.

The Organization reviews these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amount of an asset to its fair value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. During fiscal 2016, management determined that certain parcels of land held for development had carrying amounts exceeding fair value and recognized an impairment loss in the amount of approximately $241,000. There were no impairments of these assets during fiscal 2015.

Property and Equipment

Property and equipment acquisitions are capitalized at cost when purchased or at the fair value at the date of gift when donated. Expenditures for repairs and maintenance are expensed in the year incurred. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset and the remaining lease term.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. During fiscal 2016, management determined that funds thought to be held in escrow by a mortgage servicer was not realizable and wrote off this asset, recognizing an impairment loss in the amount of approximately $81,000. There were no impairments of long-lived assets during fiscal 2015.

Mortgage Loans Receivable

Mortgage loans receivable represent non-interest bearing loans upon the sale of a home and have been discounted based upon prevailing market rates at the inception of the mortgage obligations. The original discount is recorded as discounts on mortgage originations and sales within program services on the consolidated statements of functional expenses at the date the mortgage is originated. Discounts are amortized to revenue using the effective interest method over the lives of the mortgage loans and are recorded as amortization of mortgage loan discounts within revenue and support in the consolidated statements of activities. The Organization reviews each mortgage for collectability, and based on actual and anticipated losses, records an allowance. Past due mortgages are generally written off against the allowance only after collection attempts have been exhausted.

Deferred Rent

Deferred rent represents tenant improvement allowances and periods of rent abatement related to the Organization’s leases which are amortized as a reduction in rent expense over the terms of the related leases.

Sales to Homeowners Revenue

Sales to homeowners revenue are recorded at the gross mortgage amount plus down payment received. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages.

In-Kind Contributions

During fiscal 2016 and 2015, the Organization received $182,241 and $96,134, respectively, of donated construction materials to be used in home building projects, and $644,073 and $180,000, respectively, of land and completed homes donated by builders valued at estimated selling cost. These amounts were recorded as in-kind contributions in the accompanying consolidated statements of activities and cost of building materials and supplies sold in the accompanying consolidated statements of functional expenses.

Contributed services are recognized and recorded at fair market value only to the extent they create and enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. During 2016 and 2015, the Organization received contributed legal services of $39,700 and $24,155, respectively. These donations are included in in-kind contributions in the accompanying consolidated statements of activities and professional fees in the consolidated statements of functional expenses.

During 2016, the Organization also received in-kind contributions for fundraising events in the amount of $17,488, which are recorded at estimated fair value of items and services donated and are included in in-kind contributions in the accompanying consolidated statements of activities and promotional expenses in the consolidated statements of functional expenses.

Thrift Shop Revenue

The Organization currently operates two retail thrift stores that specialize in selling surplus new and used building and home improvement materials, appliances and furniture to the public. The thrift stores receive donated goods and materials from businesses, contractors, individuals and other organizations which are recorded as thrift shop revenue at the time of sale when the cash is received. The donated thrift shop goods and materials are not recorded upon receipt since fair value is difficult to determine and amounts are not material to the Organization’s financial position or results of activities.

Advertising

Advertising costs are expensed the first time the advertising takes place. Total advertising costs were $50,481 and $21,235 during 2016 and 2015, respectively, and are included in promotional expenses on the consolidated statements of functional expenses.

Functional Allocation of Expenses

The cost of providing the program and other activities of the Organization have been summarized on a functional basis in the statements of activities. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. All other expenses are allocated based on management’s estimate of the relative functional activity.

Income Taxes

Habitat is exempt from Federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code. Funding Company was incorporated under the Florida Revised Limited Liability Company Act and is considered a disregarded entity for federal and state income tax purposes. Therefore, no provision for income taxes has been included in the accompanying consolidated financial statements.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated statement of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, The Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization’s tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Fair Value of Financial Instruments

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are both significant to the fair value measurement and unobservable.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximate their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, grants and contributions receivable due within one year, accounts payable and accrued expenses. The fair value of notes payable and the line of credit is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

Contributions due beyond one year are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the contribution was made with an equivalent term equal to the number of years the contribution will be paid, which approximates fair value. Mortgage loans receivable are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the home was sold with an equivalent term equal to the term of the mortgage, which approximates fair value.

The Organization has no Level 1 or Level 3 financial assets or liabilities. The Organization's Level 2 financial assets include contributions receivable due beyond one year (see Note 2) and mortgage loans receivable (see Note 4).

Reclassifications

Certain items have been reclassified in the 2015 consolidated financial statements to conform to the 2016 presentation.

Accounting Pronouncements Issued but Not Yet Adopted

Financial Statement Presentation of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

This new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. The Organization is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard.

Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to June 30, 2016 as of December 16, 2016, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after December 16, 2016 have not been evaluated by management. No material events have occurred since June 30, 2016 that require recognition or disclosure in the consolidated financial statements, except as follows:

- On August 25, 2016, the maximum amount available on the revolving line of credit discussed in Note 5 was increased to $2 million and the maturity date was extended to August 28, 2018.
- On June 20, 2016, Habitat entered into an agreement (the “Home Agreement”) with the City of Orlando (the “City”) under the City's Home Program, whereby Habitat will receive $687,395 to be used towards construction of the final homes located in its Butler's Preserve development. Funding will be passed through the U.S. Department of Housing and Urban Development on a cost-reimbursement basis, subject to approval of costs by the City. The related construction commenced July 2016 and must be completed by November 30, 2017. In connection with the Home Agreement, on July 18, 2016, the parties entered into a promissory note with the City whereby the entire principal sum of $687,395 will be due and payable on November 30, 2017, unless Habitat has fulfilled all of its responsibilities under the Home Agreement, in which case the City would forgive this debt and the amount would be recorded as a contribution. Concurrently, the parties also entered into a mortgage and security agreement to secure the promissory note with the homes built with the proceeds from the note.

2. Contributions Receivable, Net

Contributions receivable are due as follows:

June 30,		2016		2015
Amounts due in:				
Less than one year	$	**45,700**	$	151,180
One to five years		**99,917**		10,984
		145,617		162,164
Allowance for uncollectible accounts		**(7,281)**		(27,660)
Unamortized discount		**(2,909)**		(5,654)
Contributions receivable, net	**$**	**135,427**	$	128,850

Contributions receivable due in more than one year are discounted to net present value using interest rates ranging from 0.95% to 1.01%.

3. Property and Equipment, Net

Property and equipment consists of the following:

June 30,	Useful Life		2016		2015
Leasehold improvements	5-15 years	**$**	**465,104**	$	465,104
Warehouse equipment	5-10 years		**49,284**		105,801
Transportation equipment	5 years		**65,466**		65,466
Software	3 years		**36,333**		36,333
Fixtures and office equipment	3-5 years		**77,893**		104,263
			694,080		776,967
Less accumulated depreciation and amortization			**(272,755)**		(274,264)
		$	**421,325**	$	502,703

4. Mortgage Loans Receivable, Net

Mortgage loans receivable consist entirely of non-interest bearing first mortgage notes secured by residential real estate payable in monthly installments with maturities ranging from 15 to 40 years. These mortgages are originated through the Organization’s home building program. The amounts presented in the consolidated statements of financial position are net of unamortized discounts arising from imputed interest as follows:

June 30,	**2016**	2015
First mortgages receivable (remaining face value)	**$ 9,527,838**	$ 7,648,371
Less: Unamortized discounts (2.08% – 6.67% imputed interest)	**(2,622,066)**	(2,208,001)
Allowance for uncollectible accounts	**(80,000)**	(80,000)
	$ 6,825,772	$ 5,360,370

At June 30, 2016, mortgage loans receivable mature as follows:

Year Ended June 30,	Amount
2017	$ 274,785
2018	282,108
2019	287,111
2020	288,465
2021	294,030
Thereafter	5,479,273
Total	$ 6,905,772

5. Revolving Line of Credit

The Organization has an unsecured revolving line of credit with a bank which provides for borrowings up to $1,500,000 at the 30-day LIBOR plus 3%, subject to a floor of 4.75% (4.75% at June 30, 2016). Interest-only payments are due monthly on the outstanding principal balance. The line of credit matures on July 17, 2017 (see Note 1 for discussion of maturity date extension). There was $874,996 and $1,300,000 outstanding on this line of credit as of June 30, 2016 and 2015, respectively.

The line of credit agreement requires certain financial covenants be met. The Organization was not in compliance with one of these financial covenants for the year ended June 30, 2016 and has obtained a waiver letter from the bank for this violation.

6. Notes Payable

Orange County Housing Finance Authority

On September 16, 2015, the Organization entered into a non-revolving promissory note and related construction loan agreement (the "OCHFA Agreement") with Orange County Housing Finance Authority for an amount of $2 million with interest accruing at a rate of 1.5% per annum with a maturity date of September 30, 2018. Commencing on October 1, 2015, interest payments become payable on a monthly basis. Simultaneously, with the closing of each home (as defined in the OCHFA Agreement), the Organization will repay a principal amount of $40,000. The loan is secured by all constructed homes not sold. During the year ended June 30, 2016, the Organization borrowed $1,827,250 and repaid $480,000, leaving an outstanding balance of $1,347,250 at June 30, 2016. This entire amount is included in the 2017 amount in the maturity table below as the Organization expects that all related homes will be constructed before June 30, 2017.

PNC Community Development Company, LLC

On October 22, 2015, Funding Company and PNC Community Development Company, LLC ("PNC") entered into a Note Purchase Agreement whereby Funding Company will sell to PNC a note at a purchase price equal to the present value of the scheduled principal payments of 24 outstanding mortgages held by Habitat discounted at a rate of 3% per year. Funding Company acquired from Habitat all of its rights, title and interest in the related mortgages. In order to finance the purchase of the acquisition of these mortgages from Habitat, Funding Company entered into a Secured Note ("Note") with PNC in the amount of $1,364,929 whereby it received cash in the amount of $1,059,131, which was subsequently transferred to Habitat. The difference of $305,798 between the cash proceeds and the Note amount was recorded as a discount and is included in discounts on mortgage originations and sales on the accompanying consolidated statements of functional expenses. Installment payments on the Note are due monthly in accordance with an amortization schedule with the entire principal balance due and payable on November 15, 2043. As security for the Note, Funding Company pledged all of its rights, title and interest in the related mortgage loans. The outstanding balance due on the Note as of June 30, 2016 is $1,324,529.

At June 30, 2016, future minimum payments on these notes payable are as follows:

Year Ended June 30,	Amount
2017	$ 1,428,133
2018	80,883
2019	80,883
2020	80,883
2021	80,883
Thereafter	920,114
Total	$ 2,671,779

7. Operating Leases

The Organization has entered into operating lease agreements for office, thrift store space and equipment which expire on various dates ranging from August 2016 to November 2022. Rent expense under these agreements was approximately $520,500 and $537,200 for the years ended June 30, 2016 and 2015, respectively, and is included in rent and other occupancy costs in the accompanying consolidated statements of functional expenses. Future minimum payments under these lease agreements are approximated as follows:

Year Ended June 30,	Amount
2017	$ 461,500
2018	448,200
2019	450,700
2020	238,300
2021	108,900
Thereafter	158,500
Total	$ 1,866,100

On August 22, 2012, the Organization entered into a lease for their Orlando office/warehouse which expires on November 30, 2022, and includes an option to purchase the property beginning on December 1, 2019 for $1,100,000 if the closing occurs between December 1, 2020 and November 30, 2021, and increases to $1,150,000 from December 1, 2021 to November 30, 2022.

8. Transactions with Habitat International

The Organization remits a portion of its revenues to Habitat International, its affiliate as further discussed in Note 1. These funds are used to construct homes in economically depressed areas around the world, and therefore these amounts are included as tithes to Habitat International within the Organization's program services on the consolidated statements of activities. For the years ended June 30, 2016 and 2015, the Organization contributed $54,000 and $45,000, respectively, to Habitat International. The Organization also receives donations from Habitat International which were $41,325 and $115,614 for the years ended June 30, 2016 and 2015, respectively, and are included in contributions on the consolidated statement of activities.

9. Temporarily Restricted Net Assets

Restrictions on net assets consist of the following:

June 30,	**2016**	2015
Time restrictions:		
Contributions for future periods	**$ 135,427**	$ 127,255

Net assets released from restrictions were as follows:

Year Ended June 30,	**2016**	2015
Contributions received for current period	**$ 111,828**	$ 99,299
Home construction	**–**	299,000
	$ 111,828	$ 398,299