Habitat for Humanity of Greater Orlando, Inc.

Financial Statements
Years Ended June 30, 2015 and 2014

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Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Greater Orlando, Inc. (formerly known as Habitat for Humanity of Greater Orlando Area, Inc.) (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The 2014 financial statements of Habitat for Humanity of Greater Orlando, Inc. (formerly known as Habitat for Humanity of Greater Orlando Area, Inc.) were audited by Cross, Fernandez & Riley, LLP. ("CFR") whose partners and professional staff joined BDO USA, LLP as of August 1, 2015, and has subsequently ceased operations. CFR's report dated November 24, 2014, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

BDO USA, LLP
January 8, 2016

Financial Statements

Habitat for Humanity of Greater Orlando, Inc.

Statements of Financial Position

June 30,	**2015**	2014
Assets:		
Current:		
Cash and cash equivalents	**$ 907,920**	$ 1,172,151
Grants receivable	**245,500**	311,000
Contributions receivable, net (Note 2)	**128,850**	520,068
Home inventory	**218,947**	692,975
Homes in process	**2,010,517**	634,415
Land held for development	**512,623**	533,411
Other assets	**115,222**	88,261
Property and equipment, net (Note 3)	**502,703**	538,648
Mortgage loans receivable, net (Note 4)	**5,360,370**	4,022,752
	$ 10,002,652	$ 8,513,681

Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 115,485**	$ 62,950
Accrued expenses	**100,252**	62,514
Line of credit (Note 5)	**1,300,000**	–
Deferred rent	**183,095**	151,582
Grant advances	**398,358**	909,995
Total Liabilities	**2,097,190**	1,187,041
Commitments (Note 6)		
Net Assets:		
Unrestricted	**7,778,207**	6,801,086
Temporarily restricted (Note 8)	**127,255**	525,554
Total Net Assets	**7,905,462**	7,326,640
	$ 10,002,652	$ 8,513,681

See accompanying notes to financial statements.

Habitat for Humanity of Greater Orlando, Inc.

Statements of Activities

	2015			2014		
Years ended June 30,	**Unrestricted**	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Revenue and Support:						
Sales to homeowners	**$ 2,338,331**	**$ –**	**$ 2,338,331**	$ 2,010,194	$ –	$ 2,010,194
Grants	**1,619,302**	–	**1,619,302**	1,623,310	–	1,623,310
Contributions	**898,306**	–	**898,306**	914,084	175,214	1,089,298
Thrift shop sales	**2,005,819**	–	**2,005,819**	1,676,140	–	1,676,140
In-kind contributions	**300,289**	–	**300,289**	154,990	299,000	453,990
Amortization of mortgage loan discounts	**153,911**	–	**153,911**	139,474	–	139,474
Interest income	**4,195**	–	**4,195**	4,734	–	4,734
Other income	**30,555**	–	**30,555**	26,412	–	26,412
Net assets released from restrictions (Note 8)	**398,299**	**(398,299)**	–	176,363	(176,363)	–
Total Revenue and Support	**7,749,007**	**(398,299)**	**7,350,708**	6,725,701	297,851	7,023,552
Functional Expenses:						
Program services	**5,996,296**	**–**	**5,996,296**	5,090,444	–	5,090,444
Fundraising	**529,635**	**–**	**529,635**	428,722	–	428,722
Management and general	**245,955**	**–**	**245,955**	273,518	–	273,518
Total Functional Expenses	**6,771,886**	**–**	**6,771,886**	5,792,684	–	5,792,684
Change In Net Assets	**977,121**	**(398,299)**	**578,822**	933,017	297,851	1,230,868
Net Assets, beginning of year	**6,801,086**	**525,554**	**7,326,640**	5,868,069	227,703	6,095,772
Net Assets, end of year	**$ 7,778,207**	**$ 127,255**	**$ 7,905,462**	$ 6,801,086	$ 525,554	$ 7,326,640

See accompanying notes to financial statements.

Habitat for Humanity of Greater Orlando, Inc.

Statements of Cash Flows

Years ended June 30,	**2015**	2014
Cash Flows From Operating Activities:		
Change in net assets	**$ 578,822**	$ 1,230,868
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	**63,448**	43,349
Amortization of mortgage loan discounts	**(153,911)**	(139,474)
Issuance of mortgage loans upon sale of home inventory	**(2,091,400)**	(1,707,590)
Discounts on mortgage originations and sales	**580,931**	370,466
Cash provided by (used for):		
Grants and contributions receivable	**456,718**	(561,714)
Home inventory	**474,028**	432,480
Homes in process	**(1,376,102)**	3,405
Land held for development	**20,788**	(122,004)
Mortgage payments received	**326,762**	320,860
Other assets	**(26,961)**	(22,580)
Accounts payable and accrued expenses	**90,273**	(21,402)
Deferred rent	**31,513**	131,252
Grant advances	**(511,637)**	220,285
Net cash (used for) provided by operating activities	**(1,536,728)**	178,201
Cash Flows From Investing Activities:		
Purchases of property and equipment	**(27,503)**	(261,392)
Cash Flows From Financing Activities:		
Net borrowings on line of credit	**1,300,000**	–
Net Decrease In Cash And Cash Equivalents	**(264,231)**	(83,191)
Cash And Cash Equivalents, beginning of year	**1,172,151**	1,255,342
Cash And Cash Equivalents, end of year	**$ 907,920**	$ 1,172,151
Supplemental Disclosure Of Cash Flow Information:		
Cash paid during the year for interest	**$ 58,953**	$ –

See accompanying notes to financial statements.

Habitat for Humanity of Greater Orlando, Inc.

Statements of Functional Expenses

	2015				2014			
		Supporting Services				Supporting services		
Years Ended June 30,	**Program Services**	**Fundraising**	**Management and General**	**Total**	Program Services	Fundraising	Management and General	Total
Cost of building materials and supplies sold	$ 2,697,325	$ –	$ –	$ 2,697,325	$ 2,403,981	$ –	$ –	$ 2,403,981
Payroll expenses	1,385,076	299,908	166,915	1,851,899	1,197,564	294,565	141,776	1,633,905
Discounts on mortgage originations and sales	580,931	–	–	580,931	370,466	–	–	370,466
Rent and other occupancy costs	517,634	32,628	18,159	568,421	430,676	14,181	70,905	515,762
Other	106,817	25,290	12,540	144,647	123,685	12,353	24,717	160,755
Utilities	121,269	7,217	4,017	132,503	72,697	17,881	8,606	99,184
Home repairs	80,354	–	–	80,354	11,389	–	–	11,389
Professional fees	60,682	12,638	7,034	80,354	63,963	6,882	3,312	74,157
Transportation	67,956	5,968	3,322	77,246	54,194	13,141	6,325	73,660
Insurance	44,130	17,576	10,528	72,234	72,231	6,646	4,494	83,371
Board/staff development	10,616	56,752	2,262	69,630	14,917	16,338	1,766	33,021
Depreciation and amortization	49,036	9,259	5,153	63,448	31,773	7,815	3,761	43,349
Interest	58,953	–	–	58,953	–	–	–	–
Promotional expenses	14,848	33,605	–	48,453	29,476	22,596	–	52,072
Tithe to Habitat International (Note 7)	45,000	–	–	45,000	76,500	–	–	76,500
SOSI Fee	23,048	11,983	6,669	41,700	26,677	–	–	26,677
Closing and mortgage servicing costs	34,761	–	–	34,761	26,677	–	–	26,677
Office expenses	23,646	6,206	3,454	33,306	25,401	6,248	3,007	34,656
Telephone	17,450	5,569	3,099	26,118	22,801	5,608	2,699	31,108
Property maintenance	19,081	–	–	19,081	31,287	–	–	31,287
Property tax	12,142	–	–	12,142	5,499	–	–	5,499
Family services	11,754	–	–	11,754	7,101	–	–	7,101
Printing and postage	7,755	2,549	1,419	11,723	8,155	2,006	965	11,126
Volunteer expenses	6,032	2,487	1,384	9,903	10,011	2,462	1,185	13,658
Total Functional Expenses	$ 5,996,296	$ 529,635	$ 245,955	$ 6,771,886	$ 5,090,444	$ 428,722	$ 273,518	$ 5,792,684

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Nature of Organization

Habitat for Humanity of Greater Orlando Area, Inc. (the "Organization") (a nonprofit corporation) was incorporated on May 12, 1986. On June 22, 2015, the Organization changed its name to Habitat for Humanity of Greater Orlando, Inc. The Organization 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, the Organization is primarily and directly responsible for its own operations.

Liquidity

Assets are presented in the accompanying 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 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 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.

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 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 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. 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. There were no impairments of these assets during fiscal 2015 and 2014.

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. There were no impairments of long-lived assets during fiscal 2015 and 2014.

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 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 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.

Contributed Homes, Construction Materials and Services

During fiscal 2015 and 2014, the Organization received $96,134 and $115,627, respectively, of donated construction materials to be used in home building projects, and $180,000 and $299,000, respectively, of completed homes donated by builders valued at estimated selling cost. These amounts were recorded as in-kind contributions in the accompanying statements of activities and cost of building materials and supplies sold in the accompanying 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 2015 and 2014, the Organization received contributed legal services of $24,155 and $39,363, respectively. These donations are included in in-kind contributions in the accompanying statements of activities and professional fees in the statements of functional expenses.

Thrift Shop Revenue

The Organization operates three 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 $21,235 and $22,479 during 2015 and 2014, respectively.

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

The Organization 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.

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 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 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 2014 financial statements to conform to the 2015 presentation.

Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to June 30, 2015, as of January 8, 2016, which is the date the financial statements were available to be issued. Subsequent events occurring after January 8, 2016, have not been evaluated by management. No material events have occurred since June 30, 2015, that require recognition or disclosure in the financial statements, except as follows:

- On September 16, 2015, the Organization entered into a non-revolving promissory note with an unrelated third party in the amount of $2 million bearing interest at a fixed rate of 1.5%, with interest only payments commencing on October 1, 2015. Draw downs on the note will be in accordance with a construction schedule and used for homes being built in the Organization's Butlers Preserve. With the closing of each home, the Organization will make a prepayment of principal in the amount of $40,000. The outstanding balance is due on the note's maturity date of September 30, 2018, and the note is secured by essentially all assets of the Organization.
- During September 2015, the Organization created a single member limited liability corporation, HFHGO Funding Company I, LLC (the "LLC"), the sole member of which is the Organization. During October 2015, the Organization assigned certain of its mortgages receivable, totaling approximately $1 million, to the LLC. These mortgages were subsequently sold by the LLC to PNC Bank.

2. Contributions Receivable, Net

Contributions receivable are due as follows:

June 30,	**2015**	2014
Amounts due in:		
Less than one year	**$ 151,180**	$ 372,864
One to five years	**10,984**	180,517
	162,164	553,381
Allowance for uncollectible accounts	**(27,660)**	(27,659)
Unamortized discount	**(5,654)**	(5,654)
Contributions Receivable, net	**$ 128,850**	$ 520,068

Contributions receivable due in more than one year are discounted to net present value using interest rates ranging from 0.95% to 1.63%.

3. Property and Equipment, Net

Property and equipment consists of the following:

June 30,	Useful Life	**2015**	2014
Leasehold improvements	5-15 years	**$ 465,104**	$ 464,079
Warehouse equipment	5-10 years	**105,801**	105,801
Transportation equipment	5 years	**65,466**	64,956
Software	3 years	**36,333**	27,293
Fixtures and office equipment	3-5 years	**104,263**	85,978
		776,967	748,107
Less accumulated depreciation and amortization		**(274,264)**	(209,459)
		$ 502,703	$ 538,648

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 statements of financial position are net of unamortized discounts arising from imputed interest as follows:

June 30,	**2015**	2014
First mortgages receivable (remaining face value)	**$ 7,648,371**	$ 5,883,733
Less: Unamortized discounts (2.11% – 6.67% imputed interest)	**(2,208,001)**	(1,780,981)
Allowance for uncollectible accounts	**(80,000)**	(80,000)
	$ 5,360,370	$ 4,022,752

At June 30, 2015, mortgage loans receivable mature as follows:

Years ended June 30,	Amount
2016	$ 213,532
2017	222,450
2018	229,437
2019	232,816
2020	233,230
Thereafter	4,308,905
Total	$ 5,440,370

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 5.25% (5.25% at June 30, 2015). Interest-only payments are due monthly on the outstanding principal balance. The line of credit expired on July 28, 2015. At that time, the line of credit was renewed with a maturity date of July 17, 2017, and the interest rate floor was changed to 4.75%. There was $1,300,000 and $0 outstanding on this line of credit as of June 30, 2015 and 2014, respectively.

The line of credit agreement requires certain financial covenants be met. The Organization was in compliance with these financial covenants as of June 30, 2015, and for the year then ended.

6. Operating Leases

The Organization has entered into operating lease agreements for office and thrift store space and equipment which expire on various dates ranging from August 2016 to November 2022. Rent expense under these agreements amounted to $537,223 and $466,847 for the years ended June 30, 2015 and 2014, respectively, and is included in rent and other occupancy costs in the accompanying statements of functional expenses. Future minimum payments under these lease agreements are approximated as follows:

Years ended June 30,	Amount
2016	$ 556,700
2017	551,300
2018	553,500
2019	372,500
2020	172,600
Thereafter	267,400
Total	$ 2,474,000

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 after December 1, 2021.

7. 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 statements of activities. For the years ended June 30, 2015 and 2014, the Organization contributed $45,000 and $76,500, respectively, to Habitat International. The Organization also receives donations from Habitat International which were $115,614 and $10,546 for the years ended June 30, 2015 and 2014, respectively, and are included in contributions on the statement of activities.

8. Temporarily Restricted Net Assets

Restrictions on net assets consist of the following:

June 30,	**2015**	2014
Time restrictions:		
Contributions for future periods	**$ 127,255**	$ 226,554
Program use restrictions:		
Home construction	**–**	299,000
	$ 127,255	$ 525,554

Net assets released from restrictions were as follows:

Years ended June 30,	**2015**	2014
Contributions received for current period	**$ 99,299**	$ 176,363
Home construction	**299,000**	–
	$ 398,299	$ 176,363

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Reports Required by Government Auditing Standards and OMB Circular A-133

Habitat for Humanity of Greater Orlando, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development, Passed Through Orange County, Florida:		
Community Development Block Grant, Neighborhood Stabilization Program 3	**14.218**	$ 612,974

1. Basis of Presentation

The above Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Habitat for Humanity of Greater Orlando, Inc. (the "Organization") under a program of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present its financial position, changes in net assets or cash flows of the Organization. All of the federal awards were in the form of cash assistance for the year ended June 30, 2015.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Greater Orlando, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Greater Orlando, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (see Finding 2015-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Greater Orlando, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Habitat for Humanity of Greater Orlando, Inc.'s Responses to Finding

Habitat for Humanity of Greater Orlando, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Habitat for Humanity of Greater Orlando, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

BDO USA, LLP
January 8, 2016

BDO

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Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for the Major Federal Program

We have audited Habitat for Humanity of Greater Orlando, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2015. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

BDO USA, LLP
January 8, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	**Unmodified**	
Internal control over financial reporting:		
• Material weaknesses identified?	☐ Yes	☒ No
• Significant deficiency identified?	☒ Yes	☐
• Non-compliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Type of auditor's report issued on compliance for the major federal program	**Unmodified**	
Internal control over the major federal program:		
• Material weaknesses identified?	☐ Yes	☒ No
• Significant deficiency identified?	☐ Yes	☒ None Reported
Any audit finding disclosed that are required to be reported in accordance with Section 510(a) of OMB circular A-133?	☐ Yes	☒ No

Identification of the major federal program:

Federal CFDA Number	Name of Federal Program
14.218	Community Development Block Grant, Neighborhood Stabilization Program 3

Dollar threshold used to distinguish between Type A and Type B programs:	Not applicable - only one Federal Program	
Auditee qualified as low-risk auditee?	☒ Yes	☐ No

Section II – Financial Statement Findings

Finding 2015-001: Accounting for Grants and Contributions

Criteria
In accordance with accounting principles generally accepted in the United States of America and the accrual basis of accounting, all revenue should be recorded in the period in which it is earned.

Condition
Based upon our testing, it was noted that the general ledger balance of contributions receivable did not agree to the listing provided by management. It was also noted that grant reimbursements were recorded on the cash basis rather than an accrual basis.

Cause
Contributions receivable was not reconciled to the general ledger at June 30, 2015 and grant reimbursements were recorded on a cash basis.

Effect
The Organization's year-end financial statements were not properly stated for the above resulting in misstatements of financial position and results of activities which we believe constitutes a significant deficiency in internal control over financial reporting.

Recommendation
We recommend that the Organization reconcile the general ledger to the contribution receivable listing on a monthly basis and grant reimbursements be recorded when earned versus when the cash is received to ensure grants and contributions are properly recorded in the proper period.

Views of Responsible Officials and Planned Corrective Actions
We will implement procedures which assure that the reconciliation is completed, documented and reviewed by management monthly. We will change our accounting practice to record grant reimbursements when earned.

Section III – Findings and Questioned Costs

No matters were reported.

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Section IV – Prior Year Findings

Finding 2014-01: Inadequate Controls Over Financial Reporting of Discount on Mortgages Receivable

Prior Year Finding

During our testing of the discount on mortgages receivable for loans originated during fiscal year 2014, it was noted that management was using an incorrect formula to calculate these discounts. The Organization's financial statement close process did not include a careful analysis of the discount calculations on loans originated during the year. The result of this accounting error was mortgages receivable, net assets and change in net assets were understated and the discount on mortgage originations was overstated. An audit adjustment was made to properly reflect these balances on the 2014 financial statements. This was reported as a significant deficiency in internal control over financial reporting.

Current Year Status

The Organization changed its loan amortization software to allow for proper computing of the discounts and management performed a review of its calculations and schedules for the year ended June 30, 2015. We did not report a deficiency in internal controls relating to this issue as a result of our current year audit.