

**NORTH ST. LOUIS COUNTY
HABITAT FOR HUMANITY
FINANCIAL STATEMENTS AS OF
JUNE 30, 2015 AND 2014**

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY

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ESTERBROOKS · SCOTT · SIGNORELLI
PETERSON · SMITHSON, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North St. Louis County Habitat for Humanity
Virginia, Minnesota

We have audited the accompanying financial statements of North St. Louis County Habitat for Humanity (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 North St. Louis County Habitat for Humanity as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Enterbrooke Scott Signorelli Peterson Smithson, Ltd.

Duluth, Minnesota

November 9, 2015

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash – Checking	\$ 176,331	\$ 34,872
Cash – Savings	818	818
Promises to give, current portion	48,714	161,713
Prepaid expenses	180	-
Mortgages receivable, current portion	37,067	35,891
Inventory – Building lots, materials, and home construction	<u>586,205</u>	<u>401,141</u>
Total current assets	<u>849,315</u>	<u>634,435</u>
PROPERTY AND EQUIPMENT:		
Land and building	324,931	-
Equipment and furniture	15,683	9,784
Truck and construction trailer	38,107	32,330
Construction equipment and tools	22,131	22,131
Construction in progress	-	290,813
Less: Accumulated depreciation	<u>(47,987)</u>	<u>(31,379)</u>
Net property and equipment	<u>352,865</u>	<u>323,679</u>
OTHER ASSETS:		
Non-interest mortgage loans -		
Mortgages receivable	2,986,944	2,819,301
Less: Unamortized discounts	(1,580,415)	(1,480,157)
Current portion	<u>(37,067)</u>	<u>(35,891)</u>
Net non-interest bearing mortgage loans	1,369,462	1,303,253
Inventory – Building lots	59,264	24,948
Promises to give, net current portion	-	10,000
Prepaid financing fees (less accumulated amortization as of June 30, 2015 and 2014 of \$24,741 and \$19,930)	<u>87,678</u>	<u>75,971</u>
Total other assets	<u>1,516,404</u>	<u>1,414,172</u>
Total Assets	<u><u>\$ 2,718,584</u></u>	<u><u>\$ 2,372,286</u></u>

See Notes to Financial Statements.

<u>LIABILITIES AND NET ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES:		
Notes payable – Current portion	\$ 45,061	\$ 39,731
Accounts payable	87,168	43,951
Accrued expenses	1,885	4,805
Payroll liabilities	2,875	1,850
Refundable deposits	<u>4,219</u>	<u>687</u>
Total current liabilities	<u>141,208</u>	<u>91,024</u>
LONG-TERM DEBT:		
Note payable – Bank	-	4,376
Note payable – The Northland Foundation	95,086	-
Notes payable – Minnesota Habitat	1,343,523	1,236,346
Less: Current portion	(45,061)	(39,731)
Unamortized discounts	<u>(349,852)</u>	<u>(283,074)</u>
Net long-term debt	<u>1,043,696</u>	<u>917,917</u>
Total liabilities	<u>1,184,904</u>	<u>1,008,941</u>
NET ASSETS:		
Unrestricted	1,036,755	882,521
Temporarily restricted	<u>496,925</u>	<u>480,824</u>
Total net assets	<u>1,533,680</u>	<u>1,363,345</u>
Total Liabilities and Net Assets	<u>\$ 2,718,584</u>	<u>\$ 2,372,286</u>

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT:			
Revenue and other support:			
Contributions	\$ 86,941	\$ -	\$ 86,941
Contributed building lots and materials	102,903	55,388	158,291
Contributed services	36,292	26,200	62,492
Contributed tools	-	-	-
Grants	120,524	62,196	182,720
Sale of homes – Constructed and resale	472,982	-	472,982
Sale of donated homes and lot	101,000	-	101,000
Interest	-	-	-
Sale of inventory	2,387	-	2,387
Restricted to debt amortization	-	94,043	94,043
Gain on foreclosure	31,190	-	31,190
Mortgage discounts realized	185,212	-	185,212
Other program revenue	21,538	-	21,538
Total	<u>1,160,969</u>	<u>237,827</u>	<u>1,398,796</u>
Net assets released from temporary restrictions:			
Restriction satisfied by homes sold	153,360	(153,360)	-
Restriction satisfied by programs	41,101	(41,101)	-
Expiration of time restriction - Debt amortization	27,265	(27,265)	-
Total net assets released from restrictions	<u>221,726</u>	<u>(221,726)</u>	<u>-</u>
Total revenue and other support	<u>1,382,695</u>	<u>16,101</u>	<u>1,398,796</u>
EXPENSES AND LOSSES:			
Program services –			
Home construction and resale	992,597	-	992,597
Community awareness	70,232	-	70,232
Family selection and support	32,484	-	32,484
Total program services	<u>1,095,313</u>	<u>-</u>	<u>1,095,313</u>
Supporting services –			
Management and general	93,588	-	93,588
Fundraising	39,560	-	39,560
Total supporting services	<u>133,148</u>	<u>-</u>	<u>133,148</u>
Total expenses	<u>1,228,461</u>	<u>-</u>	<u>1,228,461</u>
Change in net assets	154,234	16,101	170,335
Net assets, beginning of year	<u>882,521</u>	<u>480,824</u>	<u>1,363,345</u>
Net assets, end of year	<u>\$ 1,036,755</u>	<u>\$ 496,925</u>	<u>\$ 1,533,680</u>

See Notes to Financial Statements.

2014

Temporarily		
Unrestricted	Restricted	Total
\$ 94,703	\$ 8,658	\$ 103,361
6,000	35,972	41,972
22,322	18,050	40,372
30,064	-	30,064
218,922	105,710	324,632
728,142	-	728,142
-	-	-
19	-	19
645	-	645
-	34,311	34,311
-	-	-
137,905	-	137,905
-	-	-
<u>1,238,722</u>	<u>202,701</u>	<u>1,441,423</u>
256,027	(256,027)	-
4,442	(4,442)	-
<u>25,248</u>	<u>(25,248)</u>	-
<u>285,717</u>	<u>(285,717)</u>	-
<u>1,524,439</u>	<u>(83,016)</u>	<u>1,441,423</u>
1,333,730	-	1,333,730
72,145	-	72,145
<u>25,024</u>	-	<u>25,024</u>
<u>1,430,899</u>	-	<u>1,430,899</u>
66,376	-	66,376
<u>42,818</u>	-	<u>42,818</u>
<u>109,194</u>	-	<u>109,194</u>
<u>1,540,093</u>	-	<u>1,540,093</u>
(15,654)	(83,016)	(98,670)
<u>898,175</u>	<u>563,840</u>	<u>1,462,015</u>
<u>\$ 882,521</u>	<u>\$ 480,824</u>	<u>\$ 1,363,345</u>

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Expenses			Support Expenses			Total Support Expenses	Total Functional Expenses
	Home Construction	Community Awareness	Family Selection & Support	Total Program Expenses	Management & General	Fundraising		
Construction	\$ 456,561	\$ -	\$ -	\$ 456,561	\$ -	\$ -	\$ -	\$ 456,561
Cost of home resold	105,738	-	-	105,738	-	-	-	105,738
Land acquisition	2,801	-	-	2,801	-	-	-	2,801
Land clean-up costs	-	-	-	-	-	-	-	-
Closing costs	5,384	-	-	5,384	-	-	-	5,384
Mortgage discount	285,470	-	-	285,470	-	-	-	285,470
Amortization – Loan fees	4,811	-	-	4,811	-	-	-	4,811
Amortization – Loan discount	27,265	-	-	27,265	-	-	-	27,265
Service fees	2,603	-	-	2,603	3,400	-	3,400	6,003
Truck expense	4,407	-	-	4,407	-	-	-	4,407
Salaries, benefits & mileage	60,920	57,871	30,158	148,949	17,135	22,202	39,337	188,286
Insurance	1,537	-	-	1,537	17,564	-	17,564	19,101
Newsletter	-	7,812	-	7,812	-	-	-	7,812
Office equipment	-	-	-	-	387	-	387	387
Other mission specific costs	-	4,549	2,326	6,875	-	-	-	6,875
Postage	-	-	-	-	765	-	765	765
Supplies	-	-	-	-	2,995	-	2,995	2,995
Advertising	-	-	-	-	3,916	-	3,916	3,916
Travel and conferences	135	-	-	135	482	-	482	617
Habitat International – Tithe	24,829	-	-	24,829	-	-	-	24,829
Depreciation	9,805	-	-	9,805	6,803	-	6,803	16,608
Habitat 500 bike ride	-	-	-	-	-	3,217	3,217	3,217
Occupancy	-	-	-	-	11,793	-	11,793	11,793
Telephone and Internet	-	-	-	-	4,446	-	4,446	4,446
Software	-	-	-	-	3,191	-	3,191	3,191
Professional fees	-	-	-	-	10,723	-	10,723	10,723
Anniversary dinner	-	-	-	-	-	5,933	5,933	5,933
Fundraising mailer	-	-	-	-	-	7,708	7,708	7,708
Playhouse raffle	-	-	-	-	-	-	-	-
Interest	-	-	-	-	9,838	-	9,838	9,838
Other	331	-	-	331	150	500	650	981
Total Functional Expenses	\$ 992,597	\$ 70,232	\$ 32,484	\$ 1,095,313	\$ 93,588	\$ 39,560	\$ 133,148	\$ 1,228,461

See Notes to Financial Statements.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Expenses</u>			<u>Support Expenses</u>			Total Support Expenses	Total Functional Expenses
	Home Construction	Community Awareness	Family Selection & Support	Total Program Expenses	Management & General	Fundraising		
Construction	\$ 740,267	\$ -	\$ -	\$ 740,267	\$ -	\$ -	\$ -	\$ 740,267
Land acquisition	3,682	-	-	3,682	-	-	-	3,682
Land clean-up costs	3,206	-	-	3,206	-	-	-	3,206
Closing costs	6,050	-	-	6,050	-	-	-	6,050
Mortgage discount	433,900	-	-	433,900	-	-	-	433,900
Amortization – Loan fees	4,057	-	-	4,057	-	-	-	4,057
Amortization – Loan discount	25,248	-	-	25,248	-	-	-	25,248
Service fees	12,900	-	-	12,900	1,600	-	1,600	14,500
Truck expense	6,243	-	-	6,243	-	-	-	6,243
Salaries, benefits & mileage	64,782	63,656	23,003	151,441	10,181	29,774	39,955	191,396
Insurance	3,964	-	-	3,964	14,025	-	14,025	17,989
Newsletter	-	6,325	-	6,325	-	-	-	6,325
Office equipment	-	-	-	-	358	-	358	358
Other mission specific costs	2,675	2,164	2,021	6,860	-	-	-	6,860
Postage	-	-	-	-	148	-	148	148
Supplies	-	-	-	-	1,107	-	1,107	1,107
Travel and conferences	723	-	-	723	456	-	456	1,179
Habitat International – Tithes	19,567	-	-	19,567	-	-	-	19,567
Depreciation	6,466	-	-	6,466	2,637	-	2,637	9,103
Habitat 500 bike ride	-	-	-	-	-	1,732	1,732	1,732
Office rent	-	-	-	-	7,376	-	7,376	7,376
Telephone and Internet	-	-	-	-	4,357	-	4,357	4,357
Software	-	-	-	-	4,480	-	4,480	4,480
Professional fees	-	-	-	-	12,996	-	12,996	12,996
Anniversary dinner	-	-	-	-	-	3,720	3,720	3,720
Fundraising mailer	-	-	-	-	-	7,437	7,437	7,437
Playhouse raffle	-	-	-	-	-	155	155	155
Interest	-	-	-	-	6,422	-	6,422	6,422
Other	-	-	-	-	233	-	233	233
Total Functional Expenses	\$ 1,333,730	\$ 72,145	\$ 25,024	\$ 1,430,899	\$ 66,376	\$ 42,818	\$ 109,194	\$ 1,540,093

See Notes to Financial Statements.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 170,335	\$ (98,670)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non cash contributions - Debt discounts, net	(94,043)	(34,311)
Non cash contributions - Property and equipment	-	(21,325)
Depreciation and amortization	21,419	13,160
(Increase) decrease in promises to give	122,999	(96,263)
Decrease in employee advance	-	12
(Increase) decrease in prepaid expenses	(180)	525
(Increase) decrease in inventory	(199,880)	150,852
Increase in payroll liabilities	1,025	216
Increase (decrease) in refundable deposits	3,532	509
(Decrease) in accrued expenses	(2,920)	(823)
Increase in accounts payable	43,217	3,265
Net cash provided by (used by) operating activities	65,504	(82,853)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(45,795)	(115,452)
Acquisition of buildings and building lots	(19,500)	(4,000)
Mortgages issued (net of unamortized discount)	(184,598)	(291,549)
Mortgage repaid (net of amortized discount)	84,250	48,088
Payments collected (net of amortized discount)	32,964	27,364
Net cash used by investing activities	(132,679)	(335,549)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowing	270,010	193,580
Payment of financing fees	(16,518)	(8,649)
Payments on long-term debt (net of amortized discount)	(44,858)	(38,685)
Net cash provided by financing activities	208,634	146,246
Net increase (decrease) in cash	141,459	(272,156)
Cash – Beginning of Year	35,690	307,846
Cash – End of Year	\$ 177,149	\$ 35,690
 SUPPLEMENTAL DISCLOSURES:		
Cash payments for interest	\$ 9,838	\$ 6,422

See Notes to Financial Statements.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities –

North St. Louis County Habitat for Humanity is a nonprofit organization whose purpose is to build or renovate simple, decent, affordable houses and sell them to qualifying families without profit through zero-interest mortgages.

The following significant accounting policies have been followed in the preparation of the financial statements:

Basis of Accounting –

The financial statements of North St. Louis County Habitat for Humanity have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation –

The Organization is required to report information regarding its financial position, and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2015 and 2014 the Organization had no permanently restricted net assets.

Cash –

For the purpose of the Statement of Cash Flows, cash is composed of bank checking and savings accounts.

Inventory –

Inventory consists of materials and services for houses in progress at year-end. It also includes materials, building lots, and houses to be used in the future for building and/or renovating. Inventory is carried at cost for those items purchased and fair value at the date of donation for contributed materials, services, houses, and building lots.

Promises to Give –

Unconditional promises to give are recognized as receivables and as revenues in the period in which the Organization is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment –

Property and equipment is recorded at cost if purchased, or at the fair value at the date of the gift, if donated. Depreciation is computed using the straight-line method, with an estimated useful life of five years. It is the Organization's policy to capitalize all acquisitions of equipment over \$500. Lesser amounts are expensed.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Contributions –

Contributions received are recorded as unrestricted, temporarily restricted and permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends, a purpose restriction is accomplished, or a restriction is withdrawn by the donor) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. It is the policy of the Organization to consider resources contributed for a specific house to be temporarily restricted if specified by the donor. The temporarily restricted contributions become a part of unrestricted net assets and their restriction is considered to expire when the house is sold.

House Sales –

House Sales are recorded at an amount which does not include a discount factor. The Organization follows the suggested policy of Habitat International and presents the discount in a separate account on the Statement of Functional Expenses, "Mortgage discount". Non-interest-bearing mortgages are discounted based upon prevailing market rates at the inception of each mortgage. Utilizing the effective interest method, the discount is recognized as income over the term of the mortgage.

Donated Property and Equipment –

Donations of property and equipment are recorded as support at their 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 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.

Donated Services –

A substantial number of volunteers have donated significant amounts of nonprofessional services to the Organization's program. Although significant, these services were not recognized in the financial statements because they did not meet the criteria for recognition. Services from professional contractors and other professionals are recorded as donations at fair value at the date of donation (see Note 8).

Compensated Absences –

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Liability for accrued vacation expense has been recorded in the accompanying financial statements. Unused sick days and personal days are not carried forward.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Allocated Expenses –

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax –

North St. Louis County Habitat for Humanity is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3); therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Uncertain Tax Positions –

North St. Louis County Habitat for Humanity follows the recognition requirements of uncertain tax positions as required by generally accepted accounting principles. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities generally before 2012.

Allowance for Loan Losses –

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated. At June 30, 2015 and 2014 there was no allowance for loan losses.

Use of Estimates –

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Accordingly, actual results could differ from those estimates.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Reclassification –

Certain amounts in the 2014 financial statements have been reclassified for comparative purposes to conform with the current-year financial statements. Such reclassification had no effect on net earnings or net assets as previously reported.

2. INVENTORIES :

At June 30, 2015 and 2014 inventories consisted of the following items:

	2015	2014
Construction in progress - Program	\$ 525,383	\$ 310,255
Building materials and appliances	36,085	33,535
Building lots	69,001	82,299
House held for renovation	15,000	-
Total Inventory	\$ 645,469	\$ 426,089

At June 30, 2015, construction in progress consists of seven home projects. Two projects are renovations of formerly owned Habitat houses, and five are new home builds. At June 30, 2014, construction in progress consists of five home projects.

3. PREPAID FINANCING FEES:

During the years ending June 30, 2015 and 2014 the Organization incurred loan fees of \$16,518 and \$8,649 respectively. The loan fees were assessed based on the collateralized mortgages used to secure new borrowings. The loan fees are being amortized on a straight-line basis, over the life of the loan. Loan fees charged to program expense for the years ending June 30, 2015 and 2014 were \$4,811 and \$4,057 respectively.

4. HOME PROGRAM:

North St. Louis County Habitat for Humanity builds and renovates homes with families who meet the program's family selection criteria in North St. Louis County. The family is required to make a \$400 down payment toward the house. The family is also required to contribute a specific number of hours (sweat equity) by working on homes and in other capacities within the Organization. The family signs a first mortgage for the approximate cost of the house and is required to make monthly mortgage payments as required by the terms of the mortgage, typically twenty to thirty years.

These mortgages are discounted and the unamortized discount is subtracted from the total amount due over the life of the mortgage to reflect current estimated economic value. For the year ended June 30, 2015, five new mortgages were recorded with a total discount expense of \$285,470. For the year ended June 30, 2014, eight new mortgage were recorded with a total discount expense of \$433,900. Mortgage amortization income is recognized over the life of the mortgage using the interest method.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

4. HOME PROGRAM (CONTINUED):

Mortgage discounts realized for the years ending June 30, 2015 and 2014 were as follows:

	2015	2014
Mortgage discount amortization	\$ 103,304	\$ 98,207
Unamortized discount recognized due to:		
Buyback of homes	44,570	39,698
Deed in lieu of foreclosure	37,338	-
Total Mortgage Discount Realized	\$ 185,212	\$ 137,905

The family also signs a second mortgage for the difference between the selling price (first mortgage) and the fair market value of the home at the time of the sale. For mortgages written through 2008, if the family is in compliance with the terms of the mortgage contract, the Organization forgives an equal portion of the second mortgage over the duration of the mortgage. For mortgages written after 2008, the second mortgage is forgiven at the end of the mortgage term. In the event of a sale or foreclosure, the balance of the second mortgage will be recorded as an asset and the resulting revenue recognized. The Organization does not include a valuation of the second mortgage in its financial statements.

Construction material of the houses along with other costs attributed to the houses, including any contributed materials and services, are recorded at cost or at fair value at the date of donation if donated, and reflected as inventory until the houses are sold. In the year of the sale, costs relative to house sold are reclassified to construction costs and reflected in the statement of activities; the mortgage receivable is recognized along with the selling price and mortgage discount; and contributions (if any) donated specifically for the house sold are reclassified from temporarily restricted net assets to unrestricted net assets.

The Organization typically builds or renovates five homes per year. During the year ending and as of June 30, 2015, five homes were completed and sold. During the year ending and as of June 30, 2014, eight houses were completed and sold. Total homes built or renovated as of June 30, 2015 and 2014 were 61 and 57 respectively.

5. MORTGAGES RECEIVABLE:

The Organization builds or renovates houses, which are sold to qualifying families at cost. The family signs a non-interest bearing mortgage, which is subject to discounting in order to reflect its economic value. The interest rates used to determine the discount range from 7.50% to 9.00% based on the prevailing market rate in the year the mortgage originated. Interest is recognized annually based on the interest method.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. MORTGAGES RECEIVABLE (CONTINUED):

<u>Schedule of Mortgage Loan Receivable</u>	<u>2015</u>	<u>2014</u>
Mortgage balances before discounts	\$ 2,986,944	\$ 2,819,301
Less: Unamortized discounts	(1,580,415)	(1,480,157)
Net Mortgage Loan Receivable	<u>\$ 1,406,529</u>	<u>\$ 1,339,144</u>

Loan Delinquency Status –

	<u>2015</u>		<u>2014</u>	
	<u>Number of Loans</u>	<u>Loan Amount</u>	<u>Number of Loans</u>	<u>Loan Amount</u>
Current	48	\$ 2,791,632	44	\$ 2,523,318
31-60 days past due	1	86,624	2	158,326
More than 60 days past due	2	108,688	3	137,657
Total	<u>51</u>	<u>\$ 2,986,944</u>	<u>49</u>	<u>\$ 2,819,301</u>

At June 30, 2015 and 2014 there was no impairment of loans that needed recognition in accordance with generally accepted accounting principles (GAAP).

Schedule of Collateralized Mortgages –

At June 30, 2015 and 2014 there were twenty-four and twenty-one specific mortgages serving as collateral for long-term debt with total required monthly payments of \$5,865 and \$6,546, respectively.

	<u>2015</u>	<u>2014</u>
Mortgage balances before unamortized discounts	\$ 1,464,112	\$ 1,348,683
Less: Unamortized discounts	(747,157)	(702,430)
Net Collateralized Mortgages	<u>\$ 716,955</u>	<u>\$ 646,253</u>

6. PROMISES TO GIVE:

As of June 30, 2015 and 2014, unconditional promises to give consist of the following:

	<u>2015</u>	<u>2014</u>
Amounts due in less than one year:		
NE Minnesota United Way	\$ 26,354	\$ 37,594
Thrivent for Lutherans	-	58,500
HFHI – Capacity Building	-	1,092
The Cliffs Foundation	20,000	10,000
AEOA	-	2,658
City of Tower	-	3,195
Federal Home Loan Bank	-	18,000
Community Revitalization Grant	-	30,000
Other	2,360	674
	<u>48,714</u>	<u>161,713</u>
Amounts due in more than one year:		
The Cliffs Foundation	-	10,000
Total Promises to Give	<u>\$ 48,714</u>	<u>\$ 171,713</u>

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

6. PROMISES TO GIVE (CONTINUED):

Conditional Grants to be Received –

At June 30, 2015 the Organization had \$52,332 in grant commitments from grantors which management anticipates receiving during 2016. These funds are potential reimbursements for qualified costs to be incurred, and as such, are not included in these financial statements.

7. CONSTRUCTION IN PROGRESS:

In October, 2012, the Organization began construction of an office, with attached warehouse space for storage of building materials and equipment. The Organization moved into this facility in the fall of 2014. At June 30, 2014 the costs are recorded in a property and equipment, construction in progress until the project is complete. At June 30, 2015 the land and building was recorded as fixed assets.

8. CONTRIBUTED MATERIALS, LOTS, AND SERVICES:

Contributed materials, building lots, and services represent the estimated fair value of materials and general corporate services provided. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by entities or individuals possessing those skills, and would typically need to be purchased if they were not donated. Contributed materials, building lots and construction services are included as inventory until the applicable housing project is sold; at which time they are reclassified to construction costs and changed to unrestricted net assets. Revenues from such transactions are included in temporarily restricted net assets and reclassified to unrestricted net assets when the housing project is sold.

Contributed materials, lots, and services recorded in these financial statements are as follows:

	2015	2014
Construction related materials	\$ 28,791	\$ 38,472
Homes and building lots	129,500	3,500
Professional services	62,492	40,372
Total Contributed Materials, Lots and Services	\$ 220,783	\$ 82,344

9. NOTES PAYABLE:

As of June 30, notes payable consists of the following:

	2015	2014
Note Payable - Bank		
Installment note to Hibbing Chrysler Center, payable in monthly payments of \$507.92, bearing interest of 6.24%, collateralized by a Dodge RAM truck.	\$ -	\$ 4,376
Total Note Payable - Bank	-	4,376

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

9. NOTES PAYABLE (CONTINUED):

	2015	2014
Note Payable – The Northland Foundation		
Installment notepayable in 52 remaining monthly payments of \$988.95 and 1 final payment of \$55,351.91, bearing interest of 3.5%. The note is secured by a mortgage on the Organization’s office/warehouse.	95,086	-
Total Note Payable - Bank	95,086	-
 Notes Payable - Habitat for Humanity Minnesota		
Note payable in 76 remaining monthly payments of \$172, bearing interest at 0%, collateralized by one specific mortgage receivable, which is current.	13,092	15,156
 Note payable in 104 remaining monthly payments of \$219, bearing interest at 0%, collateralized by one specific mortgage receivable, which is 30 days past due.	22,776	25,404
 Note payable replaced in fiscal year 2015.	-	34,452
 Note payable in 120 remaining monthly payments of \$239, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	28,680	31,548
 Note payable in 108 remaining monthly payments of \$213, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	23,004	25,560
 Note payable in 138 remaining monthly payments of \$282, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	38,873	42,257
 Note payable in 138 remaining monthly payments of \$248, bearing interest at 0%, collateralized by a specific mortgage receivable, which is 12 months past due.	34,056	37,032
 Note payable in 201 remaining monthly payments of \$215, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	43,215	45,795

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

9. NOTES PAYABLE (CONTINUED):

	2015	2014
Note payable in 201 remaining monthly payments of \$206, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	41,406	43,878
Note payable in 201 remaining monthly payments of \$249, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	50,049	53,037
Note payable in 278 remaining monthly payments of \$216, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	59,964	62,556
Note payable in 283 remaining monthly payments of \$203, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	57,369	59,805
Note payable replaced in fiscal year 2015.	-	61,611
Note payable in 302 remaining monthly payments of \$256, bearing interest at 0%, collateralized by a specific mortgage receivable, which is 30 days past due.	77,200	80,272
Note payable in 287 remaining monthly payments of \$206, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	59,142	61,614
Note payable in 289 remaining monthly payments of \$224, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	64,712	67,400
Note payable replaced in fiscal year 2015.	-	68,552
Note payable in 279 remaining monthly payments of \$214, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	59,706	62,274
Note payable in 328 remaining monthly payments of \$222, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	72,809	75,473

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

9. NOTES PAYABLE (CONTINUED):

	2015	2014
Note payable in 340 remaining monthly payments of \$282, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	95,795	-
Note payable in 343 remaining monthly payments of \$248, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	85,064	-
Note payable in 308 remaining monthly payments of \$250, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	77,000	-
Note payable in 292 remaining monthly payments of \$226, bearing interest at 0%, collateralized by a specific mortgage receivable, which is current.	65,840	-
Note payable in 258 remaining monthly payments of \$252, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	51,509	53,352
Note payable in 283 remaining monthly payments of \$512, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	108,705	112,359
Note payable in 329 remaining monthly payments of \$247, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	60,605	62,186
Note payable in 266 remaining monthly payments of \$253, bearing interest at 2.25%, collateralized by a specific mortgage receivable, which is current.	52,952	54,773
 Total Notes Payable - Habitat for Humanity Minnesota	 1,343,523	 1,236,346
Total Long-Term Debt	1,438,609	1,240,722
Less – Unamortized discount	(349,852)	(283,074)
Subtotal	1,088,757	957,648
Current maturities	(45,061)	(39,731)
Net Long-Term Debt	\$ 1,043,696	\$ 917,917

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

9. NOTES PAYABLE (CONTINUED):

The maturities of notes payable for the year ended June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016.....	\$ 45,061
2017.....	46,689
2018.....	48,380
2019.....	50,138
2020.....	100,465
Subsequent to 2020.....	798,023
Total Long-Term Debt	<u>\$ 1,088,756</u>

Notes Payable – Unamortized Discount -

The non-interest bearing notes due to Habitat for Humanity – Minnesota have been discounted at 2.36% to 5.00% with the discounts reflected as increases in temporarily restricted net assets. The discount is amortized using the interest method and charged to amortization, loan discount. A similar amount is released from temporarily restricted net assets to unrestricted net assets to reflect the lapse of the restriction.

10. LINE OF CREDIT:

As of June 30, 2015 and 2014, pursuant to an agreement with Wells Fargo Bank, the Organization had available a \$70,000 unsecured line of credit, none of which was outstanding at that date.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

11. GRANT REVENUE:

Grant revenue for the years ended June 30, 2015 and 2014 was:

	2015	2014
<i>Unrestricted grants -</i>		
NE Minnesota United Way	\$ 35,141	\$ 50,126
HFHI – Capacity Building Grant	-	17,618
AEOA Homeowner Assistance Program	27,033	37,658
Federal Home Loan Bank Grants	19,000	36,000
Community Revitalization Grants	29,000	64,000
US Bank	-	2,000
FAIM	9,600	11,520
Other	750	-
Total unrestricted grants	120,524	218,922
<i>Temporarily restricted grants -</i>		
Community Development Block Grant	13,653	14,015
Thrivent for Lutherans	-	58,500
Wells Fargo Bank	45,000	30,000
City of Tower	-	3,195
Other	3,543	-
Total temporarily restricted grants	62,196	105,710
Total grant revenue	\$ 182,720	\$ 324,632

12. NET ASSET CLASSIFICATION:

Net assets temporarily restricted as to purpose are reported in these financial statements as follows:

	2015	2014
Property and equipment, construction in progress	\$ -	\$ 38,658
Inventory – Building lots and materials	147,073	97,397
Promises to Give	-	61,695
Long-term debt unamortized discounts	349,852	283,074
Total Net Assets – Temporarily Restricted	\$ 496,925	\$ 480,824

13. SIGNIFICANT CONCENTRATIONS:

The Organization provides its services to clients based in part on income qualifications and within an area of Northern Minnesota. Each loan is secured by a mortgage.

NORTH ST. LOUIS COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
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14. SUBSEQUENT EVENTS:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 9, 2015, which is the date the financial statements were issued.

Debt: Habitat for Humanity Minnesota -

The Organization obtained a note from Habitat for Humanity Minnesota for \$120,000 in October 2015. The note requires monthly payments of \$272, bearing interest at 0%. The note is secured by specific mortgage receivables.