

**WEST PASCO HABITAT FOR
HUMANITY, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2016

WEST PASCO HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
WEST PASCO HABITAT FOR HUMANITY, INC.
New Port Richey, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of WEST PASCO HABITAT FOR HUMANITY, INC. ("the Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended are 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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 WEST PASCO HABITAT FOR HUMANITY, INC. as of June 30, 2016, 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.

Marsocci, Appleby + Company P.A

Marsocci, Appleby & Company, P.A.
Tampa, Florida
August 16, 2016

WEST PASCO HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 127,762
Cash held in escrow	20,996
Accounts receivable	94,697
Investments	5,558
Prepaid expenses	8,738
Deposits	983
	258,734

TOTAL CURRENT ASSETS 258,734

NON-CURRENT ASSETS:

Property and equipment, net	690,605
Mortgage and note receivables, net of discount	675,587
Mortgage acquisition costs, net	1,755
Land held for development	457,825
	1,825,772

TOTAL ASSETS **\$ 2,084,506**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Current portion of mortgage payable	\$ 17,796
Accounts payable and accrued expenses	18,396
Funds held in escrow	20,996
Line of credit	35,145
	92,333

TOTAL CURRENT LIABILITIES 92,333

Deferred loans from Pasco County	226,301
Mortgage payable, net of current portion	434,635
	660,936

TOTAL LIABILITIES 753,269

NET ASSETS - UNRESTRICTED 1,331,237

TOTAL LIABILITIES AND NET ASSETS **\$ 2,084,506**

The notes to the basic financial statements are an integral part of these financial statements.

WEST PASCO HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES:

Sales of outlet merchandise	\$ 571,295
Sale of homes	408,330
Cash contributions and grant	179,127
Amortization of mortgage discounts	19,126
Non-cash contributions: services and materials	18,440
Rental income	15,900
Special events	13,865
Other revenue	6,475
Unrealized loss on investments	<u>(143)</u>

TOTAL REVENUES AND GAINS	<u>1,232,415</u>
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EXPENSES:

Program services	1,001,965
Fundraising	60,258
Management and general	<u>182,875</u>

TOTAL EXPENSES	<u>1,245,098</u>
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DECREASE IN UNRESTRICTED NET ASSETS	(12,683)
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NET ASSETS - UNRESTRICTED, beginning of year	<u>1,343,920</u>
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NET ASSETS - UNRESTRICTED, end of year	<u><u>\$ 1,331,237</u></u>
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The notes to the basic financial statements are an integral part of these financial statements.

WEST PASCO HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Fundraising	Management and General	Total
Costs of land, homes and construction	\$ 474,612	\$ -	\$ -	\$ 474,612
Salaries	277,158	30,050	109,356	416,564
Insurance	33,299	3,604	30,710	67,613
Discount on new mortgage loans receivable	39,042	-	-	39,042
Taxes	22,043	2,279	8,480	32,802
Construction expense	28,833	-	-	28,833
Interest expense	22,173	-	94	22,267
Dues and subscriptions	17,258	2,157	2,157	21,572
Depreciation	18,177	861	2,211	21,249
Legal and professional fees	16,724	-	4,181	20,905
Auto expenses	9,725	3,403	2,427	15,555
Office expenses	2,455	144	8,690	11,289
Fundraising costs	-	11,018	-	11,018
Utilities	8,798	-	1,396	10,194
Repairs and maintenance	8,824	-	586	9,410
Bank fees	7,406	528	238	8,172
Contributions	6,900	-	-	6,900
Other expenses	858	2,998	2,866	6,722
Telephone	4,459	557	557	5,573
Leased equipment	-	-	5,075	5,075
Meetings and travel	-	-	2,531	2,531
Advertising	-	2,293	-	2,293
Meals	1,795	144	321	2,260
In-kind contributions	1,306	199	-	1,505
Postage	-	23	804	827
Amortization of mortgage acquisition costs	-	-	195	195
Licenses and permits	120	-	-	120
Total	\$ 1,001,965	\$ 60,258	\$ 182,875	\$ 1,245,098

The notes to the basic financial statements are an integral part of these financial statements.

**WEST PASCO HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (12,683)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation and amortization	21,249
Amortization of mortgage acquisition costs	195
Amortization of mortgage discounts	(19,126)
Discount on new mortgage loans receivable	39,042
Unrealized loss on investments	143
Changes in operating assets and liabilities:	
Accounts receivable	(21,838)
Prepays	(8,738)
Deposits	1,235
Accounts payable and accrued expenses	(26,732)
Funds held in escrow	(523)
Net cash used by operating activities	(27,776)

CASH FLOWS FROM INVESTING ACTIVITIES:

New mortgage and note receivables	(307,628)
Payments received on mortgage and note receivables	66,351
Land held for development	173,185
Purchase of property and equipment	(3,350)
Net cash used by investing activities	(71,442)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on mortgage payable	(15,103)
Advances from line of credit, net	35,145
Net cash provided by financing activities	20,042

NET DECREASE IN CASH AND CASH EQUIVALENTS

(79,176)

CASH AND CASH EQUIVALENTS, at beginning of year

206,938

CASH AND CASH EQUIVALENTS, at end of year

\$ 127,762

SUPPLEMENTARY DISCLOSURES:

Deferred loans from Pasco County to fund land for development	\$ 185,000
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The notes to the basic financial statements are an integral part of this statement.

WEST PASCO HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations

West Pasco Habitat For Humanity, Inc. ("the Organization"), a not-for-profit organization, was incorporated in 1990. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian not-for-profit organization whose mission is to share the gospel of Jesus Christ through the ministry of home building, to the end that all persons of all races, classes and faiths work in partnership to eradicate poverty, provide housing, change lives, and build community. 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.

Basis of Accounting

The Organization's financial statements have been prepared using the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when incurred.

Use of Estimates

The preparation of financial statements, in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purpose of determining cash flows.

Cash Held In Escrow

The Organization currently services the mortgages on the homes it sells. Included in cash held in escrow are amounts received for insurance and property taxes on such homes.

Accounts Receivable

The accounts receivable are considered current and fully collectible by the management of the Organization and, accordingly, an allowance for doubtful accounts has not been recorded.

Inventory

The items for sale in the store are donated household items, clothing, appliances and furniture. These items have no cost associated with them and will be recorded only as income once sold. Accordingly, no value has been assigned to this inventory.

Property and Equipment

Property and equipment are recorded at historical cost and includes expenditures which substantially increase the useful lives of existing property and equipment. Maintenance and repairs are expensed when incurred.

Depreciation expense amounted to \$21,249 for the year ended June 30, 2016. Depreciation of property and equipment is computed using the straight line method based on the estimated useful life of the asset, which ranges from 5 to 39 years.

WEST PASCO HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Mortgage acquisition costs

The Organization capitalized costs related to obtaining a mortgage on property headquarters and amortizes it over ten years.

Financial Instruments

Non-interest bearing residential mortgage loans – The fair value of the mortgages receivable are estimated by discounting loans, when received, at a market rate of interest according to policies suggested by Habitat International and amortizing the discount over the life of the loans.

Deferred loans from Pasco County – Due to the nature of the loans from Pasco County, the fair value is estimated to be at cost. These loans transfer to the homeowners with the completed homes and are not repaid by the Organization.

The carrying values of the financial instruments approximate their respective fair values at June 30, 2016.

Compensated Absences

The cost of paid time off is not accrued by the Organization, as any unused compensated absences are not reimbursed or carried forward to the following year.

Contributions

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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, restricted contributions whose restrictions are met in the same reporting period are shown directly 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 restriction when the donated or acquired long-lived assets are placed in service. Depreciation on temporarily restricted fixed assets is also considered a satisfaction of time restriction.

Non-Cash Contributions

Donated services are recorded at their approximate value if they create or enhance non-financial assets, are of a specialized nature, are provided by an individual possessing those skills, and would have been purchased if not donated. Donated materials are recorded at fair value when received. Non-cash contributions meeting these criteria were \$18,440 for the year ended June 30, 2016.

A substantial number of volunteers have donated significant amounts of their time in the Organization's program services, its fundraising campaigns, and in building homes. The value of this time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

**WEST PASCO HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Functional Allocation of Expenses

The costs of providing various program and related supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to the appropriate program and supporting services.

Advertising Costs

Advertising costs are expensed when incurred. During the year ended June 30, 2016, advertising expense charged to activities amounted to \$2,293.

Leased Equipment

The Organization leases certain office equipment under variable operating leases. The total leased equipment expense was \$5,075 for the year ended June 30, 2016.

Unrestricted Net Assets

The unrestricted net assets balance represents that portion of the net assets which is available for budgeting in future periods.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state corporate income tax under applicable Florida Statutes. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization has no unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities.

The Organization has no uncertain tax positions that it has taken and believes that it can defend its tax return in any jurisdiction. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012.

NOTE B – PROPERTY AND EQUIPMENT:

Property and equipment is recorded at cost or, if donated, at the approximate fair value at the date of donation. Amounts are summarized by major classifications as follows:

Land	\$ 255,787
Buildings	452,352
Improvements	63,959
Furniture and equipment	15,135
Vehicles	37,391
	<hr/>
	824,624
Less accumulated depreciation	<hr/> (134,019)
	<hr/>
Net property and equipment	\$ 690,605

**WEST PASCO HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE C – MORTGAGE AND LOAN RECEIVABLE:

Mortgage loans receivable are discounted at the market rate during the year established. This discount is then amortized over the life of the mortgage. For the year ended June 30, 2016, income from mortgage discounts amortized was \$19,126 whereas the discount on new mortgages increased by \$39,042.

Amounts included in the balance of Mortgage Loans Receivable as of June 30, 2016, are as follows:

Mortgages receivable	\$ 907,615
Notes receivable	15,533
Unamortized discounts	<u>(247,561)</u>
 Total mortgage and loan receivable, net of discount	 <u>\$ 675,587</u>

NOTE D – MORTGAGE ACQUISITION COSTS:

Mortgage acquisition costs as of June 30, 2016, consisted of the following:

Mortgage acquisition costs	\$ 2,550
Accumulated amortization	<u>(795)</u>
	<u>\$ 1,755</u>

Amortization expense totaled \$195.

NOTE E – LAND HELD FOR DEVELOPMENT

The Organization owns land held for future development, sites where homes can be built and sold within its programs. Land is either acquired by donation from the community or through deferred funding from the county. Land received as donations are recorded at the appraised tax value in the year received. Land received through the deferred funding program from the county is recorded at the value of the deferred loan. The value of land held for future home development included in land held for development on the statement of financial position amounted to \$394,986 at June 30, 2016.

While these properties are under development, the land maintenance and building costs are capitalized to land held for development. Upon sale, these amounts are reclassified to the statement of activities. Building and maintenance costs for construction in progress as of June 30, 2016 included in land held for development on the statement of financial position amounted to \$62,839.

NOTE F – LINE OF CREDIT:

The Organization has a line of credit available for \$60,000. The line of credit is due on demand and accrues interest at prime plus 3.0% (6.50% at June 30, 2016). The balance due on the line of credit as of June 30, 2016, amounted to \$35,145.

NOTE G – DEFERRED LOANS FORM PASCO COUNTY:

The Organization receives funding from Pasco County through the Neighborhood Stabilization Project in the form of deferred loans or mortgages. The loans are secured by the land and home-sites. All payments on these loans are deferred until the home is transferred to a homeowner. Normally the county requires that the transfer occurs within 18 months of the initial funding. Loans outstanding were \$226,301 for the year ended June 30, 2016.

**WEST PASCO HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE H – MORTGAGE PAYABLE:

Mortgages payable consisted of the following:

Habitat has established a mortgage with a bank at 4.95% for 120 months with 119 monthly interest and principal payments of \$3,308 and one final payment of all remaining principal and accrued interest.	\$ 452,431
Less current portion	17,796
	\$ 434,635

Maturities of mortgages payable are as follows for the years ended June 30,:

2017	\$ 17,796
2018	18,697
2019	19,644
2020	20,638
2021	21,683
Thereafter	353,973
	\$ 452,431

NOTE I – RENTAL INCOME:

The Organization leases portions of its property headquarters to a tenant. The lease agreement is for 64 months beginning September 1, 2011. Monthly rent payments for the year ended June 30, 2016, are \$625. Rental income for this lease was \$7,500 for the year ended June 30, 2016.

The Organization entered into a separate lease agreement for 12 months beginning April 1, 2013, to rent the property located at 5926 Grey Street. The lease is now monthly with monthly rental payments of \$700 for the year ended June 30, 2016, with total annual income from this lease of \$8,400.

The remaining required future minimum lease payments to be received under these leases amounted to \$3,700 for the year ended June 30, 2017.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 16, 2016, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no material subsequent events that required recognition or additional disclosure.