

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(with summarized comparative information  
as of and for the year ended June 30, 2013)**

**With Independent Auditors' Report Thereon**

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
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**JUNE 30, 2014**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2013)**

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whaley hammonds tomasello, p.c.  
CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Southern Crescent Habitat for Humanity, Inc.  
Jonesboro, Georgia

We have audited the accompanying financial statements of Southern Crescent Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows 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.

### ***Auditors' 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. 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 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 Southern Crescent Habitat for Humanity, Inc. as of June 30, 2014, 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.

***Report on Summarized Comparative Information***

We have previously audited Southern Crescent Habitat for Humanity, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 25, 2013. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statement information from which it has been derived.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of state contractual assistance on page 18 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.

A handwritten signature in blue ink that reads "Whaley Hammonds Tomarelli, PC". The signature is written in a cursive style and is positioned above a light gray horizontal line.

November 19, 2014

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**  
**(with comparative information as of June 30, 2013)**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Assets:</b>		
Cash and cash equivalents	\$ 265,854	\$ 393,846
Investment in stock	1,239	1,113
Investment in ReStore	50,000	-
Accounts receivable	140,837	83,022
Grants receivable	5,465	1,749
Mortgages receivable, net	3,660,592	3,248,188
Housing under construction	496,460	540,974
Land held for development	42,286	42,286
Other assets	21,005	16,108
Property and equipment, net	1,059,503	1,102,521
<b>Total assets</b>	<b>\$ 5,743,241</b>	<b>\$ 5,429,807</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 120,257	\$ 30,894
Deposits on house purchases	10,734	3,781
Accrued expenses	9,897	10,763
Mortgage escrow liability	58,814	27,384
Line of credit	50,000	-
Due to Clayton County, net	658,743	692,631
Unearned revenue	506,950	382,278
<b>Total liabilities</b>	<b>1,415,395</b>	<b>1,147,731</b>
<b>Net assets:</b>		
Unrestricted	4,282,846	4,152,076
Temporarily restricted	45,000	130,000
<b>Total net assets</b>	<b>4,327,846</b>	<b>4,282,076</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,743,241</b>	<b>\$ 5,429,807</b>

The accompanying notes are an integral part of these financial statements.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(with summarized comparative information for the year ended June 30, 2013)**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
<b>Operating revenues and support:</b>				
Sales of completed homes	\$ 1,710,590	\$ -	\$ 1,710,590	\$ 1,811,264
Contributions - in-kind	220,857	-	220,857	559,849
Government grant revenue	163,330	-	163,330	453,107
Grant revenue	107,237	90,000	197,237	406,502
Development and management fees	158,913	-	158,913	335,872
House sponsorships	175,000	-	175,000	172,000
Donations	106,332	-	106,332	101,203
Other income	17,418	-	17,418	34,418
<b>Total operating revenues and support</b>	<u>2,659,677</u>	<u>90,000</u>	<u>2,749,677</u>	<u>3,874,215</u>
<b>Net assets released from restrictions</b>	<u>175,000</u>	<u>(175,000)</u>	<u>-</u>	<u>-</u>
<b>Operating expenses:</b>				
Administration	304,971	-	304,971	317,669
Construction	1,920,126	-	1,920,126	2,735,850
Development and fundraising	166,357	-	166,357	136,208
Program family services	155,279	-	155,279	93,543
<b>Total operating expenses</b>	<u>2,546,733</u>	<u>-</u>	<u>2,546,733</u>	<u>3,283,270</u>
<b>Operating change in net assets</b>	<u>287,944</u>	<u>(85,000)</u>	<u>202,944</u>	<u>590,945</u>
<b>Nonoperating activities:</b>				
Discount on notes payable	293,998	-	293,998	346,887
Amortization of mortgage discount	234,030	-	234,030	215,168
Net proceeds from insurance claim	27,500	-	27,500	-
Mortgage discounts on homes sold	(712,702)	-	(712,702)	(843,892)
<b>Total nonoperating activities</b>	<u>(157,174)</u>	<u>-</u>	<u>(157,174)</u>	<u>(281,837)</u>
<b>Change in net assets</b>	130,770	(85,000)	45,770	309,108
<b>Net assets - beginning of year</b>	<u>4,152,076</u>	<u>130,000</u>	<u>4,282,076</u>	<u>3,972,968</u>
<b>Net assets - end of year</b>	<u>\$ 4,282,846</u>	<u>\$ 45,000</u>	<u>\$ 4,327,846</u>	<u>\$ 4,282,076</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(with summarized comparative information for the year ended June 30, 2013)**

	<u>Administration</u>	<u>Construction</u>	<u>Development and fundraising</u>	<u>Program family services</u>	<u>2014 Total</u>	<u>2013 Total</u>
Cost of homes sold	\$ -	\$ 1,920,126	\$ -	\$ -	\$ 1,920,126	\$ 2,735,850
Wages	50,075	131,409	118,043	114,221	413,748	410,169
Homeowner services	-	-	-	148,597	148,597	82,831
Insurance	33,849	31,853	-	-	65,702	65,825
Professional fees	58,881	-	-	1,346	60,227	99,796
Facility expenses	40,232	-	4,139	10,066	54,437	21,052
Depreciation	35,485	7,533	-	-	43,018	43,018
Payroll taxes	3,340	12,489	10,273	9,867	35,969	33,859
Payments to Habitat						
International	33,099	-	-	-	33,099	15,580
Office expense	19,548	29	5,171	513	25,261	23,422
Staff costs	14,590	1,605	4,155	2,099	22,449	18,915
Advertising and marketing	269	-	17,905	-	18,174	13,377
Payroll administrative costs	11,911	-	-	-	11,911	13,345
Vehicle expense	1,985	6,142	12	-	8,139	7,723
Volunteer appreciation	-	350	5,612	415	6,377	6,550
Construction - general	-	2,132	-	-	2,132	11,362
Taxes and licenses	850	600	-	-	1,450	855
Fundraising supplies	-	-	1,047	-	1,047	390
Other expenses	805	73	-	-	878	247
Interest	52	-	-	-	52	683
Allocated overhead	-	(50,317)	-	(7,757)	(58,074)	(57,404)
Allocated wages and payroll taxes	-	(143,898)	-	(124,088)	(267,986)	(264,175)
<b>Total</b>	<u>\$ 304,971</u>	<u>\$ 1,920,126</u>	<u>\$ 166,357</u>	<u>\$ 155,279</u>	<u>\$ 2,546,733</u>	<u>\$ 3,283,270</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(with comparative information for the year ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
<b>Sources for operations:</b>		
Mortgage payments received	\$ 342,735	\$ 306,665
Government grant revenue received	163,330	582,185
Grant revenue received	193,521	86,502
Federal Home Loan Bank funds received	-	320,000
Sale of completed homes	275,910	324,427
Development and management fees received	130,181	303,900
House sponsorships received	175,000	202,000
Donations received	106,332	100,953
Other income received	51,745	29,851
<b>Total sources for operations</b>	<u>1,438,754</u>	<u>2,256,483</u>
<b>Uses for operations:</b>		
Payments for administrative services	(178,077)	(253,793)
Payments for construction program	(1,501,815)	(1,367,860)
Payments for development and fundraising	(166,357)	(136,208)
Payments for family services	(155,279)	(93,543)
<b>Total uses for operations</b>	<u>(2,001,528)</u>	<u>(1,851,404)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(562,774)</u>	<u>405,079</u>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable to Clayton County	664,292	822,627
Principal payments on notes payable to Clayton County	(279,510)	(887,296)
Proceeds from line of credit	50,000	-
Principal payments on line of credit and notes	-	(56,298)
<b>Net cash provided by (used in) financing activities</b>	<u>434,782</u>	<u>(120,967)</u>
<b>Net increase (decrease) in cash</b>	(127,992)	284,112
<b>Cash - Beginning of year</b>	<u>393,846</u>	<u>109,734</u>
<b>Cash - End of year</b>	<u>\$ 265,854</u>	<u>\$ 393,846</u>

The accompanying notes are an integral part of these financial statements.



**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(with comparative information for the year ended June 30, 2013)**

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ 45,770	\$ 309,108
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,018	43,018
Discount on notes	(293,998)	(346,887)
Amortization of mortgage discount	(234,030)	(215,168)
Mortgage discounts on homes sold	712,702	843,892
(Increase) decrease in assets:		
Investment in stock	(126)	(329)
Accounts receivable	(57,815)	(571)
Grants receivable	(3,716)	129,078
Mortgages receivable	(891,076)	(1,215,647)
Housing under construction	44,514	871,421
Investment in ReStore	(50,000)	-
Other assets	(4,897)	(5,646)
Land and lots	-	(7,300)
Earnest money	-	1,500
Increase (decrease) in liabilities:		
Accounts payable	89,363	(19,903)
Deposits on house purchases	6,953	(7,919)
Accrued expenses	(866)	(953)
Mortgage escrow liability	31,430	27,385
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (562,774)</u>	<u>\$ 405,079</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2013)**

**1. Summary of Significant Accounting Policies**

**Nature of Activities**

Southern Crescent Habitat for Humanity, Inc. (the "Organization") is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"). The Organization is a nondenominational Christian organization dedicated to eliminating poverty housing by building modest but adequate housing in partnership with responsible, low-income families. By having volunteers and the families work together in partnership, the Organization builds new hope, new relationships, and a new sense of community, as well as new houses. 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.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues and expenses are recognized as they are incurred, whether or not cash is received or paid out at the time.

**Prior Year Summarized Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**Cash and Cash Equivalents**

For financial statement purposes, highly liquid investments with original maturities of three months or less are reported as cash and cash equivalents. The Organization did not hold any such investments at June 30, 2014 and 2013.

**Mortgages Receivable**

Mortgages receivable consist of noninterest-bearing mortgages which are secured by real estate and payable in monthly installments. Most of the mortgages receivable have an original maturity of 20 to 30 years and arose in connection with the Organization's homebuilding initiative in the Clayton, Henry and Fayette Counties of Georgia.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2013)**

**1. Summary of Significant Accounting Policies (Continued)**

**Mortgages Receivable (Continued)**

Consistent with Habitat International, these receivables have been discounted using discount rates ranging between 6% and 9%. Interest income is recorded using the effective interest method over the lives of the mortgages.

**Certain Reclassifications**

Certain amounts from previously reported financial statements have been reclassified to conform to the current year presentation.

**Investments**

Investments in marketable securities with readily determinable fair values are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

**Housing Under Construction**

Housing under construction represents those houses which are currently under construction for families. Purchased materials for the construction of these houses are recorded at cost. Donated materials and labor, if applicable, are recorded at the fair market value of such.

**Land Held for Development**

Land held for development is recorded at acquisition cost, if purchased, or fair market value at the time of the gift, if donated.

**Property and Equipment**

Property and equipment is recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Donated items are recorded at fair market value at the time of the gift.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2013)**

**1. Summary of Significant Accounting Policies (Continued)**

**Property and Equipment (Continued)**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Life</u>
Buildings and improvements	29.5 years
Furniture and equipment	5 - 7 years
Vehicles	5 years

**Functional Expense Allocations**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Revenue Recognition**

In accordance with U.S. generally accepted accounting principles, the Organization's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization records contributions of cash and other assets as unrestricted income unless specifically restricted by the donor.

Restricted contributions are recorded as restricted income. When the donor stipulation expires, the temporarily restricted assets are reclassified to unrestricted net assets and are reported as net assets released from restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization does not have any permanently restricted net assets.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2013)**

**1. Summary of Significant Accounting Policies (Continued)**

**Government Grants**

Grant revenue is deemed to be a fee-for-services transaction and is not considered contribution income. Therefore, grant revenue is recognized during the period in which the related grant expenses are incurred. Accordingly, grant revenue is accrued or deferred, as needed, to match grant revenue with the related grant expenses.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Gifts of cash and other assets are reported as temporarily 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 statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are reported.

**Sales of Completed Homes**

Sales of completed homes represents the sale of houses built. The resulting mortgages are noninterest bearing and have been discounted based upon the prevailing market rates. The amount presented in the Statements of Activities is net of this discount.

**Contributed Materials and Services**

Materials donated to the Organization are reflected in the financial statements at the fair value of the materials received. In addition, a substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements since it does not require a specialized skill. However, from time to time certain other contributed services that require specialized skills are provided by individuals possessing those skills that would otherwise need to be purchased if not provided by donation, are recognized as revenue.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2013)**

**1. Summary of Significant Accounting Policies (Continued)**

**Contributed Materials and Services**

Total contributed materials and services for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Donated property	\$ 146,727	\$ 436,411
Donated materials and equipment	47,750	95,931
Donated services	<u>26,380</u>	<u>27,507</u>
Total contributed materials and services	<u>\$ 220,857</u>	<u>\$ 559,849</u>

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of 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 reported period. Actual results could differ from those estimates.

**2. Investment in ReStore**

On May 28, 2013, the Organization entered into an agreement with Habitat for Humanity ReStore Operations Group (the "ReStore Group") to establish a ReStore in the Organization's service area. The Organization paid \$50,000 to the ReStore Group in August 2013 in accordance with this agreement. The agreement further stipulates that the funding will be repaid on a revenue sharing basis until the initial investment is recovered by the Organization. The ReStore opened in December 2013. No revenue sharing amounts were received by the Organization during the year ended June 30, 2014. The Investment in ReStore was \$50,000 at June 30, 2014.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**(with summarized comparative information  
as of and for the year ended June 30, 2013)**

**3. Mortgages Receivable**

Consistent with Habitat International, imputed interest is calculated with mortgage discount rates ranging from 6% to 9%. The receivable and related discounts are as follows as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Face value	\$ 7,745,778	\$ 6,854,703
Less unamortized discount	<u>4,085,186</u>	<u>3,606,515</u>
Mortgages receivable, net of discount	<u>\$ 3,660,592</u>	<u>\$ 3,248,188</u>

Projected five year maturities as of June 30, 2014 are as follows:

	<u>Face</u>	<u>Net</u>
June 30, 2015	\$ 382,323	\$ 102,403
June 30, 2016	381,639	110,175
June 30, 2017	379,372	116,925
June 30, 2018	377,872	125,006
June 30, 2019	371,204	128,409
Thereafter	<u>5,853,368</u>	<u>3,077,674</u>
Total	<u>\$ 7,745,778</u>	<u>\$ 3,660,592</u>

**4. Property and Equipment**

Property and equipment at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 983,850	\$ 983,850
Land	133,565	133,565
Equipment	71,159	71,159
Vehicles	<u>39,568</u>	<u>39,568</u>
Subtotal	1,228,142	1,228,142
Less accumulated depreciation	<u>168,639</u>	<u>125,621</u>
Total property and equipment, net	<u>\$ 1,059,503</u>	<u>\$ 1,102,521</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$43,018 and \$43,018, respectively.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2013)**

**5. Line of Credit**

As of June 30, 2014 and 2013, the Organization had a \$200,000 line of credit collateralized by the real property of the Organization with interest at 5% at June 30, 2014 and 2013. The line of credit matures on December 31, 2014 and had a balance outstanding of \$50,000 at June 30, 2014. There was no balance outstanding as of June 30, 2013.

**6. Due to Clayton County**

The amounts due to Clayton County as of June 30, 2014 and 2013 consist of notes payable obtained through the Neighborhood Stabilization Program (“NSP”). As a qualified vendor under the program, the Organization receives reimbursement for the purchase and rehabilitation costs for approved homes.

Homes that are sold to qualified homeowners are financed with non-interest bearing notes through NSP. The following table sets forth the face value of the Due to Clayton County - NSP Homes Sold and the unamortized discount. Consistent with Habitat International, the note payable was discounted at rates ranging between 6% and 9% to calculate imputed interest.

Amounts due to Clayton County under the NSP Program are as follows:

	<u>2014</u>	<u>2013</u>
Face value	\$ 1,015,122	\$ 758,833
Less unamortized discount	<u>508,172</u>	<u>376,555</u>
Due to Clayton County – NSP Homes Sold	<u>\$ 506,950</u>	<u>\$ 382,278</u>

During the rehabilitation period all amounts are considered short-term loans and as such have not been discounted.

Future principal payments over the next five years for funds Due to Clayton County are as follows:

	NSP homes			
	<u>sold</u>	<u>NSP CIP</u>	<u>NSP collected</u>	<u>Total</u>
2015	\$ 15,324	\$ 50,072	\$ 101,721	\$ 167,117
2016	16,508	-	-	16,508
2017	11,238	-	-	11,238
2018	17,624	-	-	17,624
2019	18,989	-	-	18,989
Thereafter	<u>427,267</u>	<u>-</u>	<u>-</u>	<u>427,267</u>
Total	<u>\$ 506,950</u>	<u>\$ 50,072</u>	<u>\$ 101,721</u>	<u>\$ 658,743</u>



**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2013)**

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following temporary purposes as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
ReStore	\$ -	\$ 50,000
Mortgage down payment assistance	-	80,000
New construction and critical home repair	40,000	-
Homeowner education	<u>5,000</u>	<u>-</u>
Temporarily restricted net assets	<u>\$ 45,000</u>	<u>\$ 130,000</u>

**8. Transactions with Affiliate**

In addition to the other transactions described herein, the Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat International. The Organization paid \$33,099 and \$15,580 to Habitat International during the years ended June 30, 2014 and 2013. These amounts are included in program services expense as Payments to Habitat International in the Statement of Functional Expenses.

**9. Income Taxes**

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, gifts to the Organization are tax deductible. The Organization is required to pay federal and state income taxes only on its net unrelated business income. The Organization is subject to examinations of its returns by the federal, state and local authorities for three years after the returns are filed. Currently, the 2011, 2012 and 2013 tax returns are open and subject to examination. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2013)**

**10. Related Parties**

During the years ended June 30, 2014 and 2013, the Organization paid \$40,256 and \$68,424 to a company owned by a member of its board of directors. The payments were made for construction costs required to complete homes.

During the years ended June 30, 2014 and 2013 an employee of the Organization lived in one of the completed homes at a reduced rent.

In addition, expenses were incurred of \$12,344 and \$31,162 during the years ended June 30, 2014 and 2013 for legal services performed in conjunction with operations of the Organization. Certain members of management are related to individuals within the firms.

**11. Subsequent Events**

Management has evaluated subsequent events through November 19, 2014, the date on which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**STATE CONTRACTUAL ASSISTANCE SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>State grantor/Program title</u>	<u>Grant/ contract number</u>	<u>CFDA number</u>	<u>Expenditure amount</u>
Georgia Department of Housing and Urban Development			
CDBG - HOME Investment Partnership	M11-13-0209	14.239	\$ 7,331
CDBG - HOME Investment Partnership	M12-13-0209	14.239	44,189
CDBG - HOME Investment Partnership	M13-13-0209	14.239	38,465
Georgia Department of Housing and Urban Development			
CDBG - Henry County		14.218	39,664
CDBG - Clayton County		14.218	9,700
Habitat for Humanity International			
HUD - Capacity			<u>23,981</u>
<b>Total</b>			<u><u>\$ 163,330</u></u>

See independent auditors' report.