

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

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015  
(with summarized comparative information  
as of and for the year ended June 30, 2014)**

**With Independent Auditors' Report Thereon**

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
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**JUNE 30, 2015**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2014)**

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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, 2015, 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Southern Crescent Habitat for Humanity, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2014. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statement information from which it has been derived. A prior period adjustment has been applied to the 2014 financial statements as described below.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The state contractual assistance schedule on page 19 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.

**Prior Period Adjustment**

As stated in Note 13 to the financial statements, certain errors resulting in an overstatement of liabilities as of June 30, 2014 and an overstatement of change in net assets for the year ended June 30, 2014, were discovered during the current year. Accordingly, amounts reported for these liabilities, revenues, and expenses have been restated in the 2014 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2014 to correct the errors. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads 'Whaley & Jansello, P.C.'.

December 21, 2015

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**  
**(with comparative information as of June 30, 2014)**

	2015	2014
<b>Assets</b>		
<b>Assets:</b>		
Cash	\$ 400,432	\$ 265,854
Investment in stock	1,829	1,239
Investment in ReStore	-	50,000
Accounts receivable	50,676	140,837
Grants receivable	102,760	5,465
Mortgages receivable, net	3,912,837	3,660,592
Housing under construction (as restated)	465,980	443,567
Land held for development	42,286	42,286
Other assets	21,496	21,005
Property and equipment, net	1,016,486	1,059,503
<b>Total assets</b>	<b>\$ 6,014,782</b>	<b>\$ 5,690,348</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 47,355	\$ 120,257
Deposits on house purchases	6,380	10,734
Accrued expenses	16,422	9,897
Mortgage escrow liability	10,262	58,814
Line of credit	100,085	50,000
Due to Clayton County, net (as restated)	736,068	691,874
<b>Total liabilities</b>	<b>916,572</b>	<b>941,576</b>
<b>Net assets:</b>		
Unrestricted (as restated)	5,055,710	4,703,772
Temporarily restricted	42,500	45,000
<b>Total net assets</b>	<b>5,098,210</b>	<b>4,748,772</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,014,782</b>	<b>\$ 5,690,348</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, 2015**  
**(with summarized comparative information for the year ended June 30, 2014)**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>Revenue and support:</b>				
<b>Revenue:</b>				
Sales of completed homes	\$ 817,441	\$ -	\$ 817,441	\$ 1,710,590
Mortgage discounts on homes sold	<u>(477,343)</u>	<u>-</u>	<u>(477,343)</u>	<u>(712,702)</u>
<b>Net revenue from sale of completed homes</b>	<u>340,098</u>	<u>-</u>	<u>340,098</u>	<u>997,888</u>
Amortization of mortgage discount	<u>269,549</u>	<u>-</u>	<u>269,549</u>	<u>234,030</u>
<b>Total revenue</b>	<u>609,647</u>	<u>-</u>	<u>609,647</u>	<u>1,231,918</u>
<b>Support:</b>				
Contributions - in-kind	203,097	-	203,097	220,857
Government grant revenue (as restated)	516,459	-	516,459	389,985
Grant revenue	177,886	35,000	212,886	197,237
Development and management fees	624,886	-	624,886	158,912
House sponsorships	150,500	-	150,500	175,000
Donations	61,376	-	61,376	106,332
Income from ReStore	154,280	-	154,280	-
Other income	<u>55,337</u>	<u>-</u>	<u>55,337</u>	<u>17,419</u>
<b>Total support</b>	<u>1,943,821</u>	<u>35,000</u>	<u>1,978,821</u>	<u>1,265,742</u>
<b>Total revenue and support</b>	<u>2,553,468</u>	<u>35,000</u>	<u>2,588,468</u>	<u>2,497,660</u>
<b>Net assets released from restrictions</b>	<u>37,500</u>	<u>(37,500)</u>	<u>-</u>	<u>-</u>
<b>Expenses:</b>				
Administration	284,805	-	284,805	307,790
Construction	1,487,210	-	1,487,210	1,920,126
Development and fundraising	199,867	-	199,867	166,357
Program family services (as restated)	<u>267,148</u>	<u>-</u>	<u>267,148</u>	<u>189,504</u>
<b>Total expenses</b>	<u>2,239,030</u>	<u>-</u>	<u>2,239,030</u>	<u>2,583,777</u>
<b>Change in net assets before other income</b>	<u>351,938</u>	<u>(2,500)</u>	<u>349,438</u>	<u>(86,117)</u>
<b>Other income:</b>				
Net proceeds from insurance claim	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,500</u>
<b>Total other income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,500</u>
<b>Change in net assets (as restated)</b>	<u>351,938</u>	<u>(2,500)</u>	<u>349,438</u>	<u>(58,617)</u>
<b>Net assets, beginning of year (as restated)</b>	<u>4,703,772</u>	<u>45,000</u>	<u>4,748,772</u>	<u>4,807,389</u>
<b>Net assets, end of year</b>	<u>\$ 5,055,710</u>	<u>\$ 42,500</u>	<u>\$ 5,098,210</u>	<u>\$ 4,748,772</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, 2015**  
**(with summarized comparative information for the year ended June 30, 2014)**

	<u>Administration</u>	<u>Construction</u>	<u>Development and fundraising</u>	<u>Program family services</u>	<u>2015 Total</u>	<u>2014 Total</u>
Cost of homes sold	\$ -	\$ 1,487,210	\$ -	\$ -	\$ 1,487,210	\$ 1,920,126
Wages	44,269	177,504	130,064	129,305	481,142	413,748
Homeowner services	-	-	68	192,313	192,381	148,597
Insurance	14,433	34,199	-	11,834	60,466	65,702
Staff costs	18,706	16,072	12,866	9,131	56,775	22,449
Professional fees	54,741	-	1,463	468	56,672	60,227
Interest on due to Clayton County (as restated)	-	-	-	44,193	44,193	34,225
Depreciation	35,485	7,533	-	-	43,018	43,018
Facility expenses	35,181	-	60	5,625	40,866	54,437
Payroll taxes	2,190	14,257	10,761	10,216	37,424	35,969
Office expense	31,387	775	2,892	354	35,408	25,261
Payments to Habitat International	34,000	-	-	-	34,000	33,099
Advertising and marketing	534	-	18,176	-	18,710	18,174
Fundraising supplies	70	-	14,130	-	14,200	1,047
Payroll adminis- trative costs	981	3,938	2,886	2,869	10,674	11,911
Vehicle expense	1,646	6,148	29	-	7,823	8,139
Volunteer appreciation	438	365	6,408	361	7,572	6,377
Other expenses	4,650	-	-	-	4,650	3,697
Taxes and licenses	2,764	-	-	-	2,764	1,450
Interest	2,626	-	-	-	2,626	52
Construction - general	704	1,639	64	-	2,407	2,132
Allocated overhead	-	(70,669)	-	-	(70,669)	(58,074)
Allocated wages and payroll taxes	-	(191,761)	-	(139,521)	(331,282)	(267,986)
<b>Total</b>	<u>\$ 284,805</u>	<u>\$ 1,487,210</u>	<u>\$ 199,867</u>	<u>\$ 267,148</u>	<u>\$ 2,239,030</u>	<u>\$ 2,583,777</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, 2015**  
**(with comparative information for the year ended June 30, 2014)**

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
<b>Sources for operations:</b>		
Mortgage payments received	\$ 357,476	\$ 342,735
Government grant revenue received	516,459	389,985
Grant revenue received	130,756	193,521
Development and management fees received	609,721	130,181
House sponsorships received	150,500	175,000
Donations received	61,376	106,332
Sale of completed homes	-	275,910
Income received from ReStore	204,280	-
Other income received	50,319	51,745
	<b>2,080,887</b>	<b>1,665,409</b>
<b>Uses for operations:</b>		
Payments for administrative services	(352,907)	(180,896)
Payments for construction program	(1,220,666)	(1,396,029)
Payments for development and fundraising	(199,867)	(166,357)
Payments for family services	(222,954)	(155,279)
	<b>(1,996,394)</b>	<b>(1,898,561)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>84,493</b>	<b>(233,152)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from line of credit	200,000	50,000
Principal payments on line of credit	(149,915)	-
Proceeds from notes payable to Clayton County	-	55,160
	<b>50,085</b>	<b>105,160</b>
<b>Net cash provided by (used in) financing activities</b>	<b>50,085</b>	<b>105,160</b>
<b>Net increase (decrease) in cash</b>	<b>134,578</b>	<b>(127,992)</b>
<b>Cash, Beginning of year</b>	<b>265,854</b>	<b>393,846</b>
<b>Cash, End of year</b>	<b>\$ 400,432</b>	<b>\$ 265,854</b>

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, 2015**  
**(with comparative information for the year ended June 30, 2014)**

	2015	2014
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ 349,438	\$ (58,617)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Prior period adjustment		525,313
Depreciation	43,018	43,018
Discount on notes	44,193	34,225
Amortization of mortgage discount	(269,549)	(234,030)
Mortgage discounts on homes sold	477,343	712,702
(Increase) decrease in assets:		
Investment in stock	(590)	(126)
Accounts receivable	90,161	(57,815)
Grants receivable	(97,295)	(3,716)
Mortgages receivable	(460,039)	(891,076)
Housing under construction	(22,413)	97,407
Investment in ReStore	50,000	(50,000)
Other assets	(491)	(4,897)
Increase (decrease) in liabilities:		
Accounts payable	(72,902)	89,363
Deposits on house purchases	(4,354)	6,953
Accrued expenses	6,525	(866)
Due to Clayton County	-	(90,142)
Unearned revenue	-	(382,278)
Mortgage escrow liability	(48,552)	31,430
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 84,493</b>	<b>\$ (233,152)</b>

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

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2014)**

**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, 2014, from which the summarized information was derived. As described in Note 13, certain amounts from the June 30, 2014 financial statements have been restated with a prior period adjustment.

**Cash**

Cash includes bank deposits which are maintained in bank deposit accounts. Cash balances may exceed federally insured limits. The Organization has not experienced any losses on deposits and believes it is not exposed to any significant credit risk.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2014)**

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

**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.

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.

Mortgages receivable are considered impaired when, based upon current information and events, it is determined that the Organization will not be able to collect all amounts due in accordance with the mortgage. This evaluation is primarily based upon delinquency information. When a mortgage receivable is identified as impaired, the impairment is measured as the difference between the recorded mortgage receivable and the net realizable value. Impaired mortgage receivables are written down to the lesser of the mortgage receivable and the net realizable value of the secured property.

**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.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2014)**

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

**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.

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

Description	Life
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.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2014)**

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

**Revenue Recognition (Continued)**

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.

**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.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2014)**

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

**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 rates established by Habitat International. The amount presented in the Statements of Activities is net of this discount.

**Contributed Materials and Services**

Materials donated to the Organization are recorded 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.

**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.

**Certain Reclassifications**

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

**Subsequent Events**

Management evaluates all activity of the Organization through the issuance date of the financial statements. Management has evaluated subsequent events through December 31, 2015 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the related notes to the financial statements.

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2014)**

**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. During the year ended June 30, 2015, the Organization received \$204,280 from the ReStore Group. Resulting in a return of the initial investment of \$50,000 and income of \$154,280 during the year ended June 30, 2015.

**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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Face value	\$ 8,205,817	\$ 7,745,778
Less unamortized discount	<u>4,292,980</u>	<u>4,085,186</u>
<b>Mortgages receivable, net of discount</b>	<b><u>\$ 3,912,837</u></b>	<b><u>\$ 3,660,592</u></b>

Projected five year maturities as of June 30, 2015 are as follows:

	<u>Face</u>	<u>Net</u>
June 30, 2016	\$ 407,975	\$ 109,869
June 30, 2017	406,966	117,873
June 30, 2018	405,778	126,301
June 30, 2019	401,519	132,274
June 30, 2020	392,338	131,674
Thereafter	<u>6,191,241</u>	<u>3,294,846</u>
<b>Total</b>	<b><u>\$ 8,205,817</u></b>	<b><u>\$ 3,912,837</u></b>

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2014)**

**4. Property and Equipment**

Property and equipment at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 983,850	\$ 983,850
Land	133,565	133,565
Equipment	58,138	71,159
Vehicles	<u>39,568</u>	<u>39,568</u>
Subtotal	1,215,121	1,228,142
Less: accumulated depreciation	<u>198,635</u>	<u>168,639</u>
<b>Total property and equipment, net</b>	<b><u>\$ 1,016,486</u></b>	<b><u>\$ 1,059,503</u></b>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$43,018 and \$43,018, respectively.

**5. Line of Credit**

As of June 30, 2015 and 2014, the Organization had a \$200,000 line of credit collateralized by the real property of the Organization with interest at 3.25% and 5% at June 30, 2015 and 2014, respectively. The line of credit matures on December 30, 2016 and had a balance outstanding of \$100,085 and \$50,000 at June 30, 2015 and 2014.

**6. Due to Clayton County**

The amounts due to Clayton County as of June 30, 2015 and 2014 consist of liabilities related to 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. Under the agreement dated January 2010 and amended in April 2010, the Organization agreed to reimburse Clayton County for half of the principal payments received on the related mortgages for these properties. These amounts to be paid to Clayton County include amounts received and the present value of the remaining payments.

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 liabilities have been discounted at rates ranging between 6% and 9% to calculate imputed interest.



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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
**(with summarized comparative information**  
**as of and for the year ended June 30, 2014)**

**6. Due to Clayton County (Continued)**

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

	<u>2015</u>	<u>2014</u>
Face value	\$ 1,451,041	\$ 1,451,041
Less: unamortized discount	<u>714,973</u>	<u>759,167</u>
<b>Due to Clayton County</b>	<b><u>\$ 736,068</u></b>	<b><u>\$ 691,874</u></b>

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

	<b>NSP homes</b>		
	<u>sold</u>	<u>NSP collected</u>	<u>Total</u>
2016	\$ 50,851	\$ 149,884	\$ 200,735
2017	47,183	-	47,183
2018	43,780	-	43,780
2019	40,622	-	40,622
2020	37,692	-	37,692
Thereafter	<u>366,056</u>	<u>-</u>	<u>366,056</u>
<b>Total</b>	<b><u>\$ 586,184</u></b>	<b><u>\$ 149,884</u></b>	<b><u>\$ 736,068</u></b>

Interest expense on the amounts due to Clayton County was \$44,193 and \$34,225 for the years ended June 30, 2015 and 2014, respectively.

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following temporary purposes as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
New construction and critical home repair	\$ 20,000	\$ 40,000
Community improvement	22,500	-
Homeowner education	<u>-</u>	<u>5,000</u>
<b>Temporarily restricted net assets</b>	<b><u>\$ 42,500</u></b>	<b><u>\$ 45,000</u></b>

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**8. Contributed Materials and Services**

Contributed materials and services for the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Donated property	\$ 156,100	\$ 146,727
Donated materials and equipment	42,697	47,750
Donated services	<u>4,300</u>	<u>26,380</u>
<b>Total contributed materials and services</b>	<b><u>\$ 203,097</u></b>	<b><u>\$ 220,857</u></b>

**9. Noncash Financing Transactions**

The proceeds from notes payable to Clayton County of \$55,160 on the Statement of Cash Flows for the year ended June 30, 2014 are reported net of noncash discounts of \$274,292. There are no such amounts for the year ended June 30, 2015.

**10. 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 \$34,000 and \$33,099 to Habitat International during the years ended June 30, 2015 and 2014. These amounts are included as Payments to Habitat International in the Statement of Functional Expenses.

**11. 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 2012, 2013 and 2014 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.

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**12. Related Parties**

During the years ended June 30, 2015 and 2014, the Organization paid \$31,591 and \$40,256 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, 2015 and 2014 an employee of the Organization lived in one of the completed homes at a reduced rent.

**13. Prior Period Adjustment**

The June 30, 2014 financial statements did not properly reflect the amounts reported as Due to Clayton County, Unearned revenue, and Discount on notes payable, as well as imputed interest on discounts. The June 30, 2014 comparative financial statements in this report have been restated as follows:

	<u>Previously reported</u>	<u>Restated amount</u>
<b>Liabilities</b>		
Due to Clayton County	\$ (658,743)	\$ (691,874)
Unearned revenue	\$ (506,950)	\$ -
<b>Support:</b>		
Government grant revenue	\$ 163,330	\$ 389,985
<b>Other income (loss):</b>		
Interest on Due to Clayton County	\$ 293,998	\$ (34,225)
Other	\$ -	\$ (2,819)

The corrections resulted in a decrease in total liabilities of \$473,819 as of June 30, 2014 and a decrease in change in net assets of \$104,387 for the year ended June 30, 2014. In addition, certain amounts have been reclassified for presentation purposes on the June 30, 2014 comparative financial statements.

**SUPPLEMENTARY INFORMATION**  
(See independent auditors' report)

**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
STATE CONTRACTUAL ASSISTANCE SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

<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	M12-13-0209	14.239	\$ 4,840
CDBG - HOME Investment Partnership	M13-13-0209	14.239	238,042
Georgia Department of Housing and Urban Development			
CDBG - Henry County		14.218	82,783
CDBG - Clayton County	B-12-UC-13-0005	14.218	98,315
CDBG - Clayton County	B-13-UC-13-0005	14.218	<u>27,500</u>
<b>Total</b>			<u><u>\$ 451,480</u></u>

See independent auditors' report.