

**HABITAT FOR HUMANITY OF  
NEW CASTLE COUNTY, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2016 AND 2015**

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**

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**JUNE 30, 2016 AND 2015**

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Certified Public Accountants

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*Independent Auditors' Report*

To the Board of Directors  
Habitat for Humanity of New Castle County, Inc.

*Report on Financial Statements*

We have audited the accompanying financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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 Organization'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 Organization's internal control. Accordingly, we express no such

To the Board of Directors  
Habitat for Humanity of New Castle County, Inc.

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 June 30, 2016 financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of New Castle County, 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.

***Prior Year Financial Statements***

The financial statements of Habitat for Humanity of New Castle County, Inc. as of June 30, 2015 were audited by other auditors whose report dated February 10, 2016 expressed an unmodified opinion on those financial statements. As discussed in Note 17 to the financial statements, the Organization has restated its June 30, 2015 financial statements during the current year to recognize revenue reportable in prior years associated with loans payable that converted to grants. The other auditors reported on the June 30, 2015 financial statements before restatement.

As part of our audit of the June 30, 2016 financial statements, we also audited the adjustments described in Note 17 that were applied to restate the June 30, 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2015 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any form of assurance on the June 30, 2015 financial statements as a whole.

*Belfint, Lyons & Shuman, P.A.*

December 16, 2016  
Wilmington, Delaware

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

**ASSETS**

|   | <b>2016</b>         | <b>2015</b>         |
|---|---------------------|---------------------|
| <b>CURRENT ASSETS</b>   |                     |                     |
| Cash and Cash Equivalents   | \$ 1,226,325        | \$ 1,119,421        |
| Restricted Cash and Cash Equivalents                                      | 34,950              | 60,055              |
| Accounts Receivable   | -                   | 9,017               |
| Pledges and Grants Receivable, Net of Discount                            | 6,500               | 109,176             |
| Prepaid Expenses  | 49,574              | 819                 |
| Inventory   | 175,865             | 138,717             |
| Non-Interest-Bearing Mortgages Receivable (Current Portion)               | 240,759             | 149,270             |
| <b>TOTAL CURRENT ASSETS</b>   | <b>1,733,973</b>    | <b>1,586,475</b>    |
| <b>NON-INTEREST-BEARING MORTGAGES RECEIVABLE</b>                          |                     |                     |
| Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)        | 4,687,118           | 4,743,789           |
| Discount on Non-Interest-Bearing Mortgages Receivable                     | (2,843,899)         | (2,804,900)         |
| <b>NON-INTEREST-BEARING MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)</b> | <b>1,843,219</b>    | <b>1,938,889</b>    |
| <b>PROPERTY AND EQUIPMENT (NET)</b>                                       | <b>974,542</b>      | <b>809,297</b>      |
| <b>OTHER ASSETS</b>   |                     |                     |
| Restricted Cash and Cash Equivalents                                      | 115,203             | 114,972             |
| Intangible Assets (Net)   | 60,863              | 68,166              |
| Investments in Endowment Fund   | 694,417             | 510,118             |
| Investments in Joint Venture HFHI-SA Leverage III, LLC                    | 2,503,538           | 2,453,507           |
| Construction in Progress, Net of Accrued Subsidies                        | 1,656,577           | 1,717,463           |
| Security Deposits   | 22,874              | -                   |
| <b>TOTAL OTHER ASSETS</b>   | <b>5,053,472</b>    | <b>4,864,226</b>    |
| <b>TOTAL ASSETS</b>   | <b>\$ 9,605,206</b> | <b>\$ 9,198,887</b> |

\*Restated, See Note 17

**LIABILITIES AND NET ASSETS**

|   | <b>2016</b>             | <b>2015*</b>            |
|---|-------------------------|-------------------------|
| <b>CURRENT LIABILITIES</b>                  |                         |                         |
| Notes Payable (Current Maturities)          | \$ 431,391              | \$ 103,496              |
| Accounts Payable                            | 121,666                 | 144,538                 |
| Accounts Payable - Related Party            | -                       | 29,309                  |
| Accrued Expenses                            | 27,018                  | 6,343                   |
| Accrued Interest                            | 1,868                   | 3,736                   |
| Deferred Revenue                            | -                       | 17,500                  |
|   | 581,943                 | 304,922                 |
| <b>OTHER LIABILITIES</b>                    |                         |                         |
| Notes Payable (Net of Current Maturities)   | 2,652,777               | 2,787,913               |
|   | <b>3,234,720</b>        | <b>3,092,835</b>        |
| <b>NET ASSETS</b>                           |                         |                         |
| Unrestricted                                | 5,699,393               | 5,399,689               |
| Temporarily Restricted                      | 371,093                 | 606,363                 |
| Permanently Restricted                      | 300,000                 | 100,000                 |
|   | <b>6,370,486</b>        | <b>6,106,052</b>        |
| <br><b>TOTAL LIABILITIES AND NET ASSETS</b> | <br><b>\$ 9,605,206</b> | <br><b>\$ 9,198,887</b> |

The accompanying notes are an integral part of these financial statements

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

|  | 2016                |                        |                        | Total               |
|--|---------------------|------------------------|------------------------|---------------------|
|  | Unrestricted        | Temporarily Restricted | Permanently Restricted |                     |
| <b>SUPPORT AND REVENUE</b>               |                     |                        |                        |                     |
| Contributions and Grants                 | \$ 752,052          | \$ 703,126             | \$ 200,000             | \$ 1,655,178        |
| Transfers to Homeowners                  | 1,263,355           | -                      | -                      | 1,263,355           |
| Noncash Donations for Resale at ReStore  | 1,210,236           | -                      | -                      | 1,210,236           |
| Merchandise and ReStore Revenues         | 1,173,289           | -                      | -                      | 1,173,289           |
| Less: Merchandise and Cost of Goods Sold | (1,236,627)         | -                      | -                      | (1,236,627)         |
| Event Income                             | 144,891             | -                      | -                      | 144,891             |
| Less: Event Expenses                     | (42,655)            | -                      | -                      | (42,655)            |
| Other Revenue                            | 13,091              | -                      | -                      | 13,091              |
| Mortgage Loan Discount Amortization      | 333,195             | -                      | -                      | 333,195             |
| Interest Income                          | 3,721               | -                      | -                      | 3,721               |
| Income from Investment in Joint Venture  |                     |                        |                        |                     |
| HFHI-SA Leverage III, LLC                | 61,239              | -                      | -                      | 61,239              |
| Investment Loss                          | (15,701)            | -                      | -                      | (15,701)            |
|  | <u>3,660,086</u>    | <u>703,126</u>         | <u>200,000</u>         | <u>4,563,212</u>    |
| Net Assets Released from Restrictions    | <u>938,396</u>      | <u>(938,396)</u>       | <u>-</u>               | <u>-</u>            |
| <b>TOTAL SUPPORT AND REVENUE</b>         | <u>4,598,482</u>    | <u>(235,270)</u>       | <u>200,000</u>         | <u>4,563,212</u>    |
| <b>EXPENSES</b>                          |                     |                        |                        |                     |
| Program Services                         | 3,844,849           | -                      | -                      | 3,844,849           |
| Supporting Services                      |                     |                        |                        |                     |
| Management and General                   | 204,179             | -                      | -                      | 204,179             |
| Fundraising                              | 249,750             | -                      | -                      | 249,750             |
| <b>TOTAL EXPENSES</b>                    | <u>4,298,778</u>    | <u>-</u>               | <u>-</u>               | <u>4,298,778</u>    |
| <b>CHANGE IN NET ASSETS</b>              | 299,704             | (235,270)              | 200,000                | 264,434             |
| <b>NET ASSETS - Beginning of Year</b>    | <u>5,399,689</u>    | <u>606,363</u>         | <u>100,000</u>         | <u>6,106,052</u>    |
| <b>NET ASSETS - End of Year</b>          | <u>\$ 5,699,393</u> | <u>\$ 371,093</u>      | <u>\$ 300,000</u>      | <u>\$ 6,370,486</u> |

\*Restated, See Note 17

**2015\***

| <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
|---------------------|-----------------------------------|-----------------------------------|--------------|
| \$ 588,838          | \$ 738,479                        | \$ -                              | \$ 1,327,317 |
| 740,036             | -                                 | -                                 | 740,036      |
| 984,728             | -                                 | -                                 | 984,728      |
| 1,054,969           | -                                 | -                                 | 1,054,969    |
| (1,088,371)         | -                                 | -                                 | (1,088,371)  |
| 69,579              | -                                 | -                                 | 69,579       |
| (40,027)            | -                                 | -                                 | (40,027)     |
| 5,935               | -                                 | -                                 | 5,935        |
| 116,614             | -                                 | -                                 | 116,614      |
| 3,358               | -                                 | -                                 | 3,358        |
| 61,239              | -                                 | -                                 | 61,239       |
| (4,124)             | -                                 | -                                 | (4,124)      |
| 2,492,774           | 738,479                           | -                                 | 3,231,253    |
| 618,434             | (618,434)                         | -                                 | -            |
| 3,111,208           | 120,045                           | -                                 | 3,231,253    |
| 2,767,005           | -                                 | -                                 | 2,767,005    |
| 210,008             | -                                 | -                                 | 210,008      |
| 247,156             | -                                 | -                                 | 247,156      |
| 3,224,169           | -                                 | -                                 | 3,224,169    |
| (112,961)           | 120,045                           | -                                 | 7,084        |
| 5,512,650           | 486,318                           | 100,000                           | 6,098,968    |
| \$ 5,399,689        | \$ 606,363                        | \$ 100,000                        | \$ 6,106,052 |

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



**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2016 AND 2015**

|  | <b>2016</b>      | <b>2015*</b>     |
|--|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                  |
| Change in Net Assets   | \$ 264,434       | \$ 7,084         |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash from Operating Activities |                  |                  |
| Depreciation Expense   | 78,407           | 54,825           |
| Amortization Expense   | 7,303            | 7,304            |
| Investment Loss  | 15,701           | 4,124            |
| Income from Investment in Joint Venture HFHI-SA  |                  |                  |
| Leverage III, LLC  | (61,239)         | (61,239)         |
| Net Mortgage Discounts Issued  | 620,055          | 631,320          |
| Mortgage Loan Discount Amortization  | (333,195)        | (116,614)        |
| Mortgage Foreclosures  | -                | 98,160           |
| Transfer to Homeowners   | (1,263,355)      | (740,036)        |
| Changes in Assets and Liabilities  |                  |                  |
| Contribution Received and Restricted for Investment in Endowment                       | (200,000)        | -                |
| Mortgages Receivable   | 980,676          | 149,469          |
| Accounts Receivable  | 9,017            | 7,979            |
| Pledges and Grants Receivable  | 102,676          | 644,450          |
| Prepaid Expenses   | (48,755)         | 39,516           |
| Inventories  | (37,148)         | 70,161           |
| Restricted Cash and Cash Equivalents   | 25,105           | (17,025)         |
| Construction in Progress, Net of Accrued Subsidies                                     | 60,886           | (815,795)        |
| Security Deposits  | (22,874)         | -                |
| Accounts Payable   | (52,181)         | (4,847)          |
| Accrued Expenses   | 20,675           | 3,742            |
| Accrued Interest   | (1,868)          | 1,868            |
| Deferred Revenue   | (17,500)         | 17,500           |
| Affordable Gap Liability   | -                | (131,250)        |
|  | <b>146,820</b>   | <b>(149,304)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                  |                  |
| Purchase of Property and Equipment   | (243,652)        | (130,102)        |
| Deposits to Investments in Endowment Fund  | (200,000)        | (70,412)         |
| Interest Earned and Retained in Restricted Cash and Cash Equivalents                   | (231)            | (230)            |
| Distributions from Investment in Joint Venture HFHI-SA                                 |                  |                  |
| Leverage III, LLC  | 11,208           | 22,415           |
|  | <b>(432,675)</b> | <b>(178,329)</b> |

\*Restated, See Note 17

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

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

|  | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |                     |                     |
| Proceeds from Notes Payable                                      | \$ 293,504          | \$ -                |
| Repayments of Notes Payable                                      | (100,745)           | (7,212)             |
| Contribution Received and Restricted for Investment in Endowment | <u>200,000</u>      | <u>-</u>            |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>                        | <u>392,759</u>      | <u>(7,212)</u>      |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                   | 106,904             | (334,845)           |
| <b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>             | <u>1,119,421</u>    | <u>1,454,266</u>    |
| <b>CASH AND CASH EQUIVALENTS - End of Year</b>                   | <u>\$ 1,226,325</u> | <u>\$ 1,119,421</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>          |                     |                     |
| Cash Paid During the Year for Interest                           | <u>\$ 22,418</u>    | <u>\$ 24,403</u>    |

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

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1: NATURE OF ACTIVITIES**

Habitat for Humanity of New Castle County, Inc., a nonprofit organization (Organization) was incorporated in 1986. The Organization is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational, Christian, nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization also provides its “A Brush with Kindness” (ABWK) program. ABWK is a nationwide effort to serve low-income homeowners who struggle to maintain the exterior of their homes. Groups of volunteers work alongside the homeowner to revitalize a home's exterior.

The Organization operates two ReStores with locations in Wilmington and Middletown, Delaware. These ReStores are retail outlets where quality used and surplus building materials, furniture, and appliances are sold at a fraction of normal prices. The materials sold by the ReStores are usually donated from building supply stores, contractors, demolition crews or from individuals who wish to show their support for the Organization. In addition to raising funds, the ReStores help the environment by rechanneling good, usable materials into use. The proceeds from the ReStores help the Organization fund the construction of houses within the community. The ReStores are a department of the Organization and not a separate legal entity.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting*** - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

***Use of Estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Financial Statement Reporting*** - As required by the *Financial Statements of Not-for-Profit Entities* of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958, the Organization reports 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.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Financial Statement Reporting - Continued***

Unrestricted Net Assets - Unrestricted net assets are those that are neither permanently restricted nor temporarily restricted for a specific purpose or purposes, and are available for the general operations of the Organization.

Temporarily Restricted Net Assets - Operating funds restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues when the Organization has incurred expenditures in compliance with the specific restrictions, or as a result of the passage of time restricting the use of the funds. Donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets released from restrictions.

Permanently Restricted Net Assets - Permanently restricted funds are restricted by the donor to be maintained in perpetuity for the use of the donee organization. Generally, the donors of these funds permit the donee organization to use all or part of the income earned on related investments for general or specific purposes. Accumulated unexpended investment gains on permanently restricted funds are considered temporarily restricted until such accumulated gains are spent, temporarily restricted net assets are then reclassified and reported in the statements of activities and changes in net assets as net assets released from restrictions.

***Cash and Cash Equivalents*** - The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Deposit balances in excess of federally insured limits as of June 30, 2016 and 2015 were \$800,867 and \$688,124, respectively.

***Accounts Receivable*** - Accounts receivable are carried at cost. The Organization does not accrue finance or interest charges. On a periodic basis, management evaluates its accounts receivable based on the history of past write-offs and collections. An account is written off when it is determined that all collection efforts have been exhausted.

The Organization uses the specific write-off method to provide for doubtful accounts since experience and management's estimation indicate an allowance for such amounts is immaterial.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Pledges and Grants Receivable* - Unconditional pledges receivable are recognized as revenues or gains in the period received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. Provisions for uncollectible receivables are offset against contributions when determined to be uncollectible by management. It is the opinion of management that the expense computed under this method is not materially different than what the expense would be if the allowance method were used. There were no long-term pledges as of June 30, 2016 and 2015.

*Fair Value of Financial Instruments* - FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The carrying amounts for cash and cash equivalents, receivables, prepaid expenses, payables, accrued expenses, and deferred revenue approximate their fair value because of their short-term maturity. The carrying value amount of long-term debt approximates its fair value since the Organization's interest rates approximate current interest rates.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Fair Value of Financial Instruments - Continued*

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2016 and 2015.

*Endowment Fund, Pooled Separate Accounts* - Valued at the net asset value (NAV) of units held by the Organization at year-end based on the market value of its underlying investments. Although the pooled separate accounts are not available in an active market, the NAV of the units are approximated based on the quoted prices of the underlying investments that are traded in an active market.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

|  | 2016        |                   |             |                   |
|--|-------------|-------------------|-------------|-------------------|
|  | Level 1     | Level 2           | Level 3     | Total             |
| Investment in Pooled Separate Accounts | \$ -        | \$ 694,417        | \$ -        | \$ 694,417        |
|  | <u>\$ -</u> | <u>\$ 694,417</u> | <u>\$ -</u> | <u>\$ 694,417</u> |
|  | 2015        |                   |             |                   |
|  | Level 1     | Level 2           | Level 3     | Total             |
| Investment in Pooled Separate Accounts | \$ -        | \$ 510,118        | \$ -        | \$ 510,118        |
|  | <u>\$ -</u> | <u>\$ 510,118</u> | <u>\$ -</u> | <u>\$ 510,118</u> |

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Inventories* - Inventories are valued at the lower of cost or market, with cost determined by the first-in, first-out method.

*Mortgages Receivable* - Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

Because mortgages receivable are secured by real estate, and ultimately through the process of foreclosure, management believes that procedures will result in collection. Accordingly, no allowance for uncollectible accounts has been provided.

*Investment in Joint Venture* - The investment in joint venture is accounted for using the equity method. Under the equity method, the initial investment is recorded at cost and is subsequently increased or decreased by its share of income or loss and increased or decreased by the amount of any contributions made or distributions received.

*Property and Equipment* - Property and equipment acquired by the Organization is considered owned by the Organization and is valued at cost. Donated property and equipment acquired by the Organization is considered owned by the Organization and is valued at fair value at the time of the donation. Depreciation is provided on the straight-line method. Maintenance and minor repairs are charged to operations when incurred. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in current operations.

The estimated useful lives for depreciation are:

|                                    |              |
|------------------------------------|--------------|
| Automobiles                        | 5 Years      |
| Buildings and Improvements         | 7 - 39 Years |
| Equipment, Furniture, and Software | 3 - 7 Years  |

*Long-Lived Assets* - As required by FASB ASC 360, *Property, Plant, and Equipment*, long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell. There was no impairment loss as of June 30, 2016 and 2015.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Intangible Assets*** - As required by FASB ASC 350, *Intangibles - Goodwill and Other*, intangible assets consist of loan origination fees which are being amortized over their estimated useful life of 15 years using the straight-line method.

***Construction in Progress*** - Construction in progress is carried at cost less accrued subsidies. Cost includes initial acquisition and all subsequent costs to develop the property. It is not the Organization's intent to earn a profit selling developed property. Generally, sales are at a loss. The Organization considers losses incurred to be a subsidy to the respective buyer. However, in accordance with accounting principles generally accepted in the United States of America, the Organization records a provision of estimated losses on construction in progress in the period such losses are determined. These estimated losses are recorded on the statements of financial position as accrued subsidies included in the cost of construction incurred. As of June 30, 2016 and 2015, accrued subsidies on construction in progress were \$1,565,227 and \$1,759,505, respectively.

***Revenue Recognition*** - Contributions received are recorded as unrestricted, temporarily, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets. When a temporary restriction expires, the net assets are reclassified to unrestricted net assets as net assets released from restrictions in the statements of activities.

***Donated Services*** - The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services and support services. No amounts have been recognized in the statements of activities because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

***Donated Inventory*** - The Organization received noncash contributions from donors in the amount of \$1,210,236 and \$984,728 for the years ended June 30, 2016 and 2015, respectively. These noncash items were provided to the ReStore for resale to support the Organization's mission.

***Transfers to Homeowners*** - Transfers to homeowners are recorded at the gross mortgage amount plus down payment received. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

***Home Construction Costs*** - Costs incurred in conjunction with home construction are capitalized as construction in progress. Capitalized construction costs are expensed when ownership transfers to the homeowners. Any post-settlement costs are expensed as incurred.



**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Functional Allocation of Expenses* - The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

*Income Taxes* - The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). However, a Form 990, Return of Organization Exempt from Income Taxes, is required to be filed each year. The Organization complies with other Internal Revenue Service reporting requirements regarding contributions received and payments to independent contractors.

The Organization has evaluated the effects of FASB ASC 740, *Income Taxes*, and has concluded that the Organization recognizes tax benefits only to the extent that the Organization believes it is “more likely than not” that its tax positions will be sustained upon a taxing authorities examination.

The federal informational returns of the Organization for the years ended June 30, 2013, 2014, and 2015 are subject to examination by the tax authorities, generally for three years after they were filed.

*Subsequent Events* - The Organization’s policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS**

As of June 30, 2016 and 2015, the Organization held \$34,950 and \$60,055, respectively, in separate bank accounts as a condition of the loan agreement to pay fees related to the Citi First Capital 21, LLC loan.

As of June 30, 2016 and 2015, the Organization held \$115,203 and \$114,972, respectively, in a separate money market reserve account to satisfy conditions of a mortgage sale agreement to repurchase delinquent loans.

**NOTE 4: PLEDGES AND GRANTS RECEIVABLE**

As of June 30, 2016 and 2015, unconditional promises to give for the construction of homes was \$6,500 and \$109,176, respectively. There was no present value discount or allowance for uncollectible pledges and grants receivable included in the financial statements as of June 30, 2016 and 2015.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 5: CONDITIONAL PROMISES TO GIVE**

As of June 30, 2016 and 2015, the Organization had conditional promises to give in the amount of \$160,000 and \$718,750, respectively. The conditions to satisfy the grants are to complete and sell various housing projects.

**NOTE 6: PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 were as follows:

|                                    | 2016       | 2015       |
|------------------------------------|------------|------------|
| Land                               | \$ 152,523 | \$ 152,523 |
| Automobiles                        | 98,953     | 70,393     |
| Building and Improvements          | 1,112,663  | 900,511    |
| Equipment, Furniture, and Software | 135,614    | 132,674    |
|                                    | 1,499,753  | 1,256,101  |
| Less: Accumulated Depreciation     | 525,211    | 446,804    |
| Net Property and Equipment         | \$ 974,542 | \$ 809,297 |

Depreciation expense for the years ended June 30, 2016 and 2015 was \$78,407 and \$54,825, respectively.

**NOTE 7: INTANGIBLE ASSETS**

Intangible assets consist of loan origination fees capitalized at \$109,552. Accumulated amortization as of June 30, 2016 and 2015 was \$48,689 and 41,386, respectively. Amortization expense for the years ended June 30, 2016 and 2015 was \$7,303 and \$7,304, respectively.

Future amortization expense for the years ending June 30 is as follows:

|            |           |
|------------|-----------|
| 2017       | \$ 7,304  |
| 2018       | 7,304     |
| 2019       | 7,304     |
| 2020       | 7,304     |
| 2021       | 7,304     |
| Thereafter | 24,343    |
| Total      | \$ 60,863 |

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 8: ENDOWMENT FUND**

The endowment fund consists of pooled investments managed by the Delaware Community Foundation (DCF). The Organization is the primary income beneficiary. DCF reserves the right to make the final decision regarding distributions to the Organization.

Endowment fund activity consisted of the following for the years ended June 30:

|                            | <u>2016</u>       | <u>2015</u>       |
|----------------------------|-------------------|-------------------|
| Beginning Balance - July 1 | \$ 510,118        | \$ 443,830        |
| Contributions              | 200,000           | 70,412            |
| Investment Loss            | <u>(15,701)</u>   | <u>(4,124)</u>    |
| Ending Balance - June 30   | <u>\$ 694,417</u> | <u>\$ 510,118</u> |

The Organization does not believe that investments within the DCF endowment fund are within the scope of the Financial Accounting Standards Board's Accounting Standard Codification 958 (ASC 958), *Not-for-Profit Organizations*, in regard to required disclosures for endowments, because in contrast to donor-restricted endowment funds, no ongoing decisions about the investment of the trust or distributions from the trust are within the authority of the Organization.

Endowment fund income consisted of the following for the years ended June 30:

|                                       | <u>2016</u>        | <u>2015</u>       |
|---------------------------------------|--------------------|-------------------|
| Realized and Unrealized Losses        | \$ (18,819)        | \$ (6,032)        |
| Income Earned                         | 10,786             | 8,136             |
| Administrative and Investment Fees    | <u>(7,668)</u>     | <u>(6,228)</u>    |
| Investment (Loss) Income, Net of Fees | <u>\$ (15,701)</u> | <u>\$ (4,124)</u> |

**NOTE 9: INVESTMENT IN JOINT VENTURE HFHI-SA LEVERAGE III, LLC**

In 2010, the Organization invested, along with ten (10) other Habitat affiliates, in a joint venture (HFHI-SA Leverage III, LLC) with thirteen percent (13%) ownership to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new market tax credits to be applied against their federal tax liability. The program provides funds to eligible organizations for investment in "qualified low-income community investment."

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 9: INVESTMENT IN JOINT VENTURE HFHI-SA LEVERAGE III, LLC - CONTINUED**

Program compliance requirements included creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period. As a result, the Organization has invested \$2,503,538 and \$2,453,507 as of June 30, 2016 and 2015, respectively, and was able to secure a 15-year loan in the amount of \$2,758,746 payable to a community development entity (an affiliate of the joint venture). The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents. The loan accrues interest only for years one (1) through seven (7) at a reduced rate of 0.8126%. Beginning in year 8 through year 15 the principal balance of the loan is reduced by an eight-year amortization at the same rate of 0.8126%.

In 2010, the Organization recorded its 13% investment in HFHI-SA Leverage III, LLC at the cost of investment plus transaction costs, expendable construction funds, escrow cash, and program cost liabilities.

In December 2016, City First Capital Investment Fund 21, LLC (Fund) and the upstream effective owner of City First Capital 21, LLC (holder of the promissory note due from the Organization) is expected to exercise its put option. Under the terms of the put option agreement, HFHI-SA Leverage III, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund.

**NOTE 10: NOTE PAYABLE - DEMAND**

The Organization has a revolving line of credit with a local financial institution in the amount of \$300,000. Principal is payable on demand with interest paid monthly at the bank's prime rate (3.5% as of June 30, 2016) less 1% annually on all outstanding balances. The line of credit is considered due on demand; therefore, renewal documentation is not required each year unless changes are made to the original agreement. The line of credit is collateralized by a security interest in the assets of the Organization. No amounts were outstanding on the line of credit as of June 30, 2016 and 2015.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 11: NOTES PAYABLE**

Notes payable as of June 30 were as follows:

|  | 2016    | 2015     |
|--|---------|----------|
| <i>Habitat for Humanity International, Inc.</i> - Interest-free note payable, payable in monthly installments of \$156 starting January 2012 through November 2015 with a balloon payment of \$168 due December 2015. The note payable was collateralized by mortgages receivable and assets of the Organization. The note was paid in full during the year ended June 30, 2016. | \$ -    | \$ 1,884 |
| <i>Habitat for Humanity International, Inc.</i> - Interest-free note payable, payable in monthly installments of \$445 starting July 2013 through May 2017 with a balloon payment of \$460 due June 2017. The note payable is collateralized by mortgages receivable and assets of the Organization.   | 10,695  | 16,035   |
| <i>City of Wilmington, Delaware</i> - The Organization has seven interest-free forgivable loans with the City of Wilmington. Each note is in the amount of \$39,990, totaling \$279,930. The notes do not require principal payments. The notes convert to grants at the date of the sale to the homeowner. The notes payable are collateralized by the real estate.             | 207,254 | -        |
| <i>City of Wilmington, Delaware</i> - Forgivable loan with interest payable at 5.0%. Note requires payments of interest only. Upon sale of a home to a qualified buyer, the obligation reverts to grant revenue. The note payable is collateralized by the real estate.  | 21,000  | 21,000   |
| <i>City of Wilmington, Delaware</i> - Forgivable loan with interest payable at 5.0%. Note requires payments of interest only. Upon sale of a home to a qualified buyer, the obligation reverts to grant revenue. The note payable is collateralized by the real estate.  | 56,000  | 56,000   |
| <i>City of Wilmington, Delaware</i> - Forgivable loan with interest payable at 5.0%. Note requires payments of interest only. Upon sale of a home to a qualified buyer, the obligation reverts to grant revenue. The note payable is collateralized by the real estate.  | 6,000   | 6,000    |
| <i>Habitat for Humanity International, Inc.</i> - Interest-free note payable, payable in monthly installments of \$661 starting July 2015 through May 2019 with a balloon payment of \$678 due June 2019. The note payable is collateralized by mortgages receivable and assets of the Organization.   | 24,473  | 31,744   |

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 11: NOTES PAYABLE - CONTINUED**

|  | 2016                | 2015                |
|--|---------------------|---------------------|
| <i>City First Capital 21, LLC</i> - Note payable at 0.8126%. Semi-annual interest-only payments commencing on December 1, 2009 through December 1, 2016. Commencing on December 1, 2016, semi-annual payments in an amount sufficient to fully amortize the remaining principal balance over 8 years. The note payable has a put option feature that is exercisable in December 2016 (Note 9). | <u>\$ 2,758,746</u> | <u>\$ 2,758,746</u> |
| Total Notes Payable  | 3,084,168           | 2,891,409           |
| Less: Current Portion  | 431,391             | 103,496             |
| Total Notes Payable, Net of Current Portion  | <u>\$ 2,652,777</u> | <u>\$ 2,787,913</u> |

The following are the annual maturities of the long-term debt for the years ending June 30:

|            |    |                  |
|------------|----|------------------|
| 2017       | \$ | 431,391          |
| 2018       |    | 351,139          |
| 2019       |    | 348,540          |
| 2020       |    | 343,402          |
| 2021       |    | 346,187          |
| Thereafter |    | 1,263,509        |
| Total      | \$ | <u>3,084,168</u> |

**NOTE 12: LEASE COMMITMENTS**

The Organization leases various facilities and a copier under noncancelable operating leases which expire in various years through the fiscal year ending November 30, 2025. Rent expense on the facilities and copiers was \$133,247 and \$12,995, respectively, for the year ended June 30, 2016 and \$165,000 and \$5,353, respectively, for the year ended June 30, 2015.

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 12: LEASE COMMITMENTS - CONTINUED**

The following are the future minimum lease payments required by these leases for the years ending June 30:

|                              | <u>Facilities</u>   | <u>Copiers</u>  | <u>Total</u>        |
|------------------------------|---------------------|-----------------|---------------------|
| 2017                         | \$ 269,982          | \$ 2,291        | \$ 272,273          |
| 2018                         | 275,495             | 2,291           | 277,786             |
| 2019                         | 279,432             | -               | 279,432             |
| 2020                         | 279,432             | -               | 279,432             |
| 2021                         | 188,197             | -               | 188,197             |
| Thereafter                   | <u>789,349</u>      | <u>-</u>        | <u>789,349</u>      |
| Total Minimum Lease Payments | <u>\$ 2,081,887</u> | <u>\$ 4,582</u> | <u>\$ 2,086,469</u> |

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

During the year ended June 30, 2016, the Organization sold mortgages with principal balances totaling \$916,814 for gross cash payments of \$572,148. The Organization is required to repurchase any mortgage loan that becomes 120 days past due. The Organization is notified regularly of delinquent mortgages that are at risk of repurchase. During the year ended June 30, 2016, the Organization was required to repurchase \$184,206 in delinquent mortgage receivables. The mortgage sales and repurchases occurred in simultaneous transaction and the proceeds from the sale of mortgages were reduced by \$130,489. The Organization maintains a restricted bank account to satisfy any mortgages that are in excess of 120 days past due and are required to be repurchased. The Organization did not repurchase any delinquent mortgage loans for the year ended June 30, 2015.

**NOTE 14: NET ASSETS RELEASED FROM TEMPORARILY RESTRICTED NET ASSETS**

Net assets released from donor restrictions by incurred expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended June 30:

|                                   | <u>2016</u>       | <u>2015</u>       |
|-----------------------------------|-------------------|-------------------|
| Purpose Restrictions Accomplished |                   |                   |
| Construction of Homes             | \$ 815,557        | \$ 601,125        |
| Vehicle Purchase                  | 30,000            | -                 |
| A Brush With Kindness             | <u>92,839</u>     | <u>17,309</u>     |
| Total Releases from Restrictions  | <u>\$ 938,396</u> | <u>\$ 618,434</u> |

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 14: NET ASSETS RELEASED FROM TEMPORARILY RESTRICTED NET ASSETS - CONTINUED**

Net assets were temporarily restricted for the following purposes as of June 30:

|   | <u>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|
| Construction of Homes                   | \$ 371,093        | \$ 571,052        |
| A Brush With Kindness                   | <u>-</u>          | <u>35,311</u>     |
| Total Temporarily Restricted Net Assets | <u>\$ 371,093</u> | <u>\$ 606,363</u> |

**NOTE 15: HOME CONSTRUCTION COSTS**

Following is a summary of home building activity:

|  | <u>Years Ended June 30:</u> |                     |
|--|-----------------------------|---------------------|
|  | <u>2016</u>                 | <u>2015</u>         |
| Construction in Process (Net of Accrued Subsidies) - Beginning | \$ 1,717,463                | \$ 901,668          |
| Cost of Homes Transferred                                      | (1,409,895)                 | (1,023,029)         |
| Capitalized Home Development Costs                             | 1,154,731                   | 1,910,981           |
| Change in Accrued Subsidies on Homes Under Construction        | <u>194,278</u>              | <u>(72,157)</u>     |
| Construction in Process (Net of Accrued Subsidies) - Ending    | <u>\$ 1,656,577</u>         | <u>\$ 1,717,463</u> |
| Homes Under Construction - Beginning                           | 27                          | 23                  |
| Homes Transferred to Homeowners                                | (7)                         | (6)                 |
| New Homes Entering Development Stage                           | <u>1</u>                    | <u>10</u>           |
| Homes Under Construction - Ending                              | <u>21</u>                   | <u>27</u>           |

**NOTE 16: RELATED-PARTY TRANSACTION**

The Organization maintained a vendor relationship in fiscal year ended June 30, 2016, with a mechanical and electrical contracting service company, whose co-owner is a member of the Organization's Board of Directors. All such relationships are subject to the same procurement requirements, policies, and control as the Organization applies to its other vendors. For the years ended June 30, 2016 and 2015, the Organization incurred expenses totaling \$18,550 and \$33,080, respectively, under this relationship. There were no accounts payable outstanding relating to this transaction.



**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 17: RESTATEMENT OF 2015 FINANCIAL STATEMENTS**

During the year ended June 30, 2016, the Organization determined that liabilities included in previously issued financial statements had converted to grant revenue. Previously included in notes payable as of June 30, 2015 were six convertible loans from the City of Wilmington’s Neighborhood Stabilization Program totaling \$330,300 and a liability from the Delaware State Housing Authority’s Affordability Gap Program in the amount \$197,497. The Organization determined that the conditions necessary for the conversion of the loans to grant revenue for the City of Wilmington loans occurred prior to July 1, 2014. The Organization also determined that, for the conditions needed to convert the Delaware State Housing Authority liability to revenue, \$66,247 occurred prior to July 1, 2014 and \$131,250 occurred during the year ended June 30, 2015. Accordingly, the Organization has restated its June 30, 2015 financial statements. The following is the effect of the restatement:

|   | <u>As Previously<br/>Reported</u> | <u>As Restated</u> | <u>Adjustment</u> |
|---|-----------------------------------|--------------------|-------------------|
| <u>As of June 30, 2015</u>              |                                   |                    |                   |
| Notes Payable                           | \$ 3,224,709                      | \$ 2,891,409       | \$ (333,300)      |
| Affordability Gap Liability             | 197,497                           | -                  | (197,497)         |
| Unrestricted Net Assets                 | 4,868,892                         | 5,399,689          | 530,797           |
| Total Net Assets                        | 5,575,255                         | 6,106,052          | 530,797           |
| <u>For the Year Ended June 30, 2015</u> |                                   |                    |                   |
| Contributions and Grants                | 1,196,067                         | 1,327,317          | 131,250           |
| Total Support and Revenue               | 2,436,311                         | 3,231,253          | 794,942           |
| Program Service Expenses                | 2,103,313                         | 2,767,005          | 663,692           |
| Change in Unrestricted Net Assets       | (244,211)                         | (112,961)          | 131,250           |
| Change in Net Assets                    | (124,166)                         | 7,084              | 131,250           |
| <u>As of July 1, 2014</u>               |                                   |                    |                   |
| Unrestricted Net Assets                 | 5,113,103                         | 5,512,650          | 399,547           |
| Total Net Assets                        | 5,699,421                         | 6,098,968          | 399,547           |

In addition to the above referenced restatement, as indicated in the chart, the Organization reclassified certain costs associated with its Restore program from a contra-revenue account to program service expenses. This reclassification had no effect on previously reported change in net assets or total net assets.



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*Independent Auditors' Report on Supplementary Information*

To the Board of Directors  
Habitat for Humanity of New Castle County, Inc. Wilmington, Delaware

We have audited the financial statements of Habitat for Humanity of New Castle County, Inc. as of and for the year ended June 30, 2016, and our report thereon dated December 16, 2016, which expresses an unmodified opinion on those financial statements appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended June 30, 2016 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The June 30, 2015 financial statements of Habitat for Humanity of New Castle County, Inc. were audited by other auditors, whose report dated February 10, 2016, stated the June 30, 2015 supplementary schedule of functional expenses was fairly stated in all material respects in relation to the June 30, 2015 financial statements taken as a whole. We were not engaged to audit, review, or apply any procedures to the June 30, 2015 supplementary schedule of functional expenses of the Organization and, accordingly, we do not express an opinion or any form of assurance on the June 30, 2015 schedule of functional expenses.

*Belfint, Lyons & Shuman, P.A.*

December 16, 2016  
Wilmington, Delaware

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

|                                 | <u>Program Services</u>    |   |                                  |                       | <u>Supporting Services</u>            |                          |                                   |  | <u>Total Expenses</u>      |
|---------------------------------|----------------------------|---|----------------------------------|-----------------------|---------------------------------------|--------------------------|-----------------------------------|--|----------------------------|
|                                 | <u>Construction</u>        | <u>Discounts on<br/>Mortgage<br/>Originations</u> | <u>A Brush with<br/>Kindness</u> | <u>Restore</u>        | <u>Total<br/>Program<br/>Services</u> | <u>Fundraising</u>       | <u>Management<br/>and General</u> | <u>Total<br/>Supporting<br/>Services</u> |                            |
| Salary and Related Costs        | \$ 454,112                 | \$ -  | \$ -                             | \$ 375,049            | \$ 829,161                            | \$ 232,499               | \$ 57,338                         | \$ 289,837                               | \$ 1,118,998               |
| Construction Administration     | 73,872                     | -   | -                                | -                     | 73,872                                | -                        | 32,121                            | 32,121                                   | 105,993                    |
| Advertising                     | -                          | -   | -                                | 107,500               | 107,500                               | -                        | -                                 | -  | 107,500                    |
| Amortization                    | -                          | -   | -                                | -                     | -                                     | -                        | 7,303                             | 7,303                                    | 7,303                      |
| Building Materials and Supplies | 1,543,334                  | -   | -                                | -                     | 1,543,334                             | -                        | -                                 | -  | 1,543,334                  |
| Depreciation                    | 18,284                     | -   | -                                | 41,845                | 60,129                                | -                        | 18,278                            | 18,278                                   | 78,407                     |
| Fundraising                     | -                          | -   | -                                | -                     | -                                     | 16,301                   | -                                 | 16,301                                   | 16,301                     |
| HFHI Franchise Fee              | -                          | -   | -                                | -                     | -                                     | -                        | 15,000                            | 15,000                                   | 15,000                     |
| Loan Servicing Fees             | -                          | -   | -                                | -                     | -                                     | -                        | 20,115                            | 20,115                                   | 20,115                     |
| Miscellaneous                   | -                          | -   | 180,565                          | -                     | 180,565                               | -                        | -                                 | -  | 180,565                    |
| Mortgage Discounts              | -                          | 620,055   | -                                | -                     | 620,055                               | -                        | -                                 | -  | 620,055                    |
| Occupancy                       | -                          | -   | -                                | 227,608               | 227,608                               | -                        | 6,402                             | 6,402                                    | 234,010                    |
| Professional Services           | -                          | -   | -                                | -                     | -                                     | 950                      | 46,805                            | 47,755                                   | 47,755                     |
| Restore Supplies                | -                          | -   | -                                | 91,189                | 91,189                                | -                        | -                                 | -  | 91,189                     |
| Telephone                       | 9,670                      | -   | -                                | -                     | 9,670                                 | -                        | 817                               | 817                                      | 10,487                     |
| Tithe to Habitat International  | 50,916                     | -   | -                                | 31,156                | 82,072                                | -                        | -                                 | -  | 82,072                     |
| Training                        | 19,694                     | -   | -                                | -                     | 19,694                                | -                        | -                                 | -  | 19,694                     |
| <b>TOTAL</b>                    | <b><u>\$ 2,169,882</u></b> | <b><u>\$ 620,055</u></b>                          | <b><u>\$ 180,565</u></b>         | <b><u>874,347</u></b> | <b><u>\$ 3,844,849</u></b>            | <b><u>\$ 249,750</u></b> | <b><u>\$ 204,179</u></b>          | <b><u>\$ 453,929</u></b>                 | <b><u>\$ 4,298,778</u></b> |

**HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2015**

|                                 | <u>Program Services</u>    |   |                              |                       | <u>Supporting Services</u>    |                          |                               | <u>Total Expenses</u>    |                                  |
|---------------------------------|----------------------------|---|------------------------------|-----------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|----------------------------------|
|                                 | <u>Construction</u>        | <u>Discounts on Mortgage Originations</u> | <u>A Brush with Kindness</u> | <u>Restore</u>        | <u>Total Program Services</u> | <u>Fundraising</u>       | <u>Management and General</u> |                          | <u>Total Supporting Services</u> |
| Salary and Related Costs        | \$ 420,218                 | \$ -                                      | \$ 2,333                     | \$ 278,398            | \$ 700,949                    | \$ 221,641               | \$ 97,064                     | \$ 318,705               | \$ 1,019,654                     |
| Construction Administration     | 67,494                     | -   | -                            | -                     | 67,494                        | -                        | 30,734                        | 30,734                   | 98,228                           |
| Advertising                     | -                          | -   | -                            | 50,943                | 50,943                        | -                        | -                             | -                        | 50,943                           |
| Amortization                    | -                          | -   | -                            | -                     | -                             | -                        | 7,304                         | 7,304                    | 7,304                            |
| Building Materials and Supplies | 875,785                    | -   | -                            | -                     | 875,785                       | -                        | -                             | -                        | 875,785                          |
| Depreciation                    | 17,972                     | -   | -                            | 20,922                | 38,894                        | -                        | 15,931                        | 15,931                   | 54,825                           |
| Fundraising                     | -                          | -   | -                            | -                     | -                             | 25,515                   | -                             | 25,515                   | 25,515                           |
| HFHI Franchise Fee              | -                          | -   | -                            | -                     | -                             | -                        | 10,000                        | 10,000                   | 10,000                           |
| Loan Servicing Fees             | -                          | -   | -                            | -                     | -                             | -                        | 24,614                        | 24,614                   | 24,614                           |
| Miscellaneous                   | -                          | -   | 14,976                       | -                     | 14,976                        | -                        | -                             | -                        | 14,976                           |
| Mortgage Discounts              | -                          | 631,320                                   | -                            | -                     | 631,320                       | -                        | -                             | -                        | 631,320                          |
| Occupancy                       | -                          | -   | -                            | 223,594               | 223,594                       | -                        | 7,671                         | 7,671                    | 231,265                          |
| Professional Services           | -                          | -   | -                            | -                     | -                             | -                        | 16,690                        | 16,690                   | 16,690                           |
| Restore Supplies                | -                          | -   | -                            | 48,351                | 48,351                        | -                        | -                             | -                        | 48,351                           |
| Telephone                       | 9,317                      | -   | -                            | -                     | 9,317                         | -                        | -                             | -                        | 9,317                            |
| Tithe to Habitat International  | 42,867                     | -   | -                            | 41,484                | 84,351                        | -                        | -                             | -                        | 84,351                           |
| Training                        | 21,031                     | -   | -                            | -                     | 21,031                        | -                        | -                             | -                        | 21,031                           |
| <b>TOTAL</b>                    | <b><u>\$ 1,454,684</u></b> | <b><u>\$ 631,320</u></b>                  | <b><u>\$ 17,309</u></b>      | <b><u>663,692</u></b> | <b><u>\$ 2,767,005</u></b>    | <b><u>\$ 247,156</u></b> | <b><u>\$ 210,008</u></b>      | <b><u>\$ 457,164</u></b> | <b><u>\$ 3,224,169</u></b>       |