

Beaches Habitat for Humanity, Inc.

(a non-profit organization)

Atlantic Beach, Florida

Financial Statements

June 30, 2015 and 2014

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Beaches Habitat for Humanity, Inc.
Atlantic Beach, Florida

We have audited the accompanying financial statements of Beaches Habitat for Humanity, Inc., which comprise the statements of financial position as of June 30, 2015, and 2014, and the related statements of activities, statements of functional expenses and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 or 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beaches Habitat for Humanity, Inc. as of June 30, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of findings and questioned costs, is presented for purposes of additional analysis or as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of Beaches Habitat for Humanity, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaches Habitat for Humanity, Inc.'s internal control over financial reporting and compliance.

Ralston & Company, PA

November 10, 2015

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
Statements of Financial Position
June 30, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash	\$ 358,311	\$ 543,775
Escrow deposits	301,696	280,385
Accounts receivable	276,163	92,725
Mortgage notes receivable - net	3,790,737	3,328,183
Construction inventory	3,332,092	2,228,379
Property and equipment - net of accumulated depreciation of \$176,503 and \$150,733	624,516	617,775
Other assets	13,043	19,505
	<u> </u>	<u> </u>
Total assets	<u>\$ 8,696,558</u>	<u>\$ 7,110,727</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 363,709	\$ 155,882
Accrued expenses	4,521	9,483
Escrow payable	301,486	276,036
Line of credit	850,710	-
Notes payable	935,886	789,441
Deposits and payments on houses awaiting closing	4,050	3,625
	<u> </u>	<u> </u>
Total liabilities	<u>2,460,362</u>	<u>1,234,467</u>
Net assets:		
Unrestricted	<u>6,236,196</u>	<u>5,876,260</u>
	<u> </u>	<u> </u>
Total net assets	<u>6,236,196</u>	<u>5,876,260</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 8,696,558</u>	<u>\$ 7,110,727</u>

The accompanying notes are an integral part of this statement.

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
Statements of Activities
For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets		
Support and revenue		
Program service	\$ 1,559,436	\$ 1,202,815
Contributions and sponsorships	1,146,661	1,366,143
Grants	1,029,916	516,581
Interest income	930	1,589
Other income	9,918	17,534
	<u>3,746,861</u>	<u>3,104,662</u>
Total support and revenue		
Expenses		
Program services	2,804,265	2,294,111
Management and general	443,285	456,327
Fundraising	139,375	125,397
	<u>3,386,925</u>	<u>2,875,835</u>
Total expenses		
Increase in net assets	359,936	228,827
Net assets - beginning of year	<u>5,876,260</u>	<u>5,647,433</u>
Net assets - end of year	<u>\$ 6,236,196</u>	<u>\$ 5,876,260</u>

The accompanying notes are an integral part of this statement.

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
Statements of Functional Expenses
For the years ended June 30, 2015 and 2014

	Program Services	Supporting Services Management and General	Fund Raising	2015 Total	2014 Total
Salaries	\$ 330,626	\$ 275,612	\$ 49,982	\$ 656,220	\$ 701,420
Employee benefits	53,747	44,317	7,453	105,517	95,516
Payroll taxes	27,336	22,444	3,657	53,437	58,254
Total salaries and related expenses	411,709	342,373	61,092	815,174	855,190
Construction and supplies	1,687,695	-	-	1,687,695	1,197,260
Mortgage discounts, net of amortization	443,655	-	-	443,655	399,845
Professional fees	47,459	47,459	-	94,918	92,319
Office and premises	64,579	21,526	-	86,105	75,504
Special events	-	-	78,283	78,283	61,239
Educational program	63,457	-	-	63,457	59,470
Depreciation	13,478	13,478	-	26,956	21,549
Interest	13,725	6,760	-	20,485	17,855
Tithe	20,000	-	-	20,000	43,001
Insurance	10,278	5,062	-	15,340	28,908
Travel	14,776	-	-	14,776	5,805
Printing and postage	6,088	2,999	-	9,087	11,438
Other	7,366	3,628	-	10,994	6,452
Total expenses	\$ 2,804,265	\$ 443,285	\$ 139,375	\$ 3,386,925	\$ 2,875,835

The accompanying notes are an integral part of this statement.

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
Statement of Cash Flows
For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 359,936	\$ 228,827
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	26,956	21,549
Discounts on mortgages	389,812	399,845
Loss on asset disposal	(1,185)	-
Changes in assets and liabilities		
Escrow deposits	(21,311)	(7,922)
Accounts receivable	(183,438)	93,139
Construction inventory	(1,103,713)	(1,394,457)
Other assets	6,462	13,573
Accounts payable	207,827	21,380
Accrued expenses	(4,962)	7,693
Escrow payable	25,450	6,190
Deposits and payments on houses awaiting closing	425	3,625
Net cash used by operating activities	<u>(297,741)</u>	<u>(606,558)</u>
Cash flows from investing activities		
Purchases of equipment	(32,512)	(89,965)
Changes in mortgage notes receivable - net of discounts	(852,366)	(661,252)
Net cash used by investing activities	<u>(884,878)</u>	<u>(751,217)</u>
Cash flows from financing activities		
Proceeds on long-term debt	533,913	687,777
Change in line of credit	850,710	-
Repayment of long-term debt	(387,468)	(264,552)
Net cash provided by financing activities	<u>997,155</u>	<u>423,225</u>
Net decrease in cash	<u>(185,464)</u>	<u>(934,550)</u>
Cash at beginning of year	<u>543,775</u>	<u>1,478,325</u>
Cash at end of year	<u>\$ 358,311</u>	<u>\$ 543,775</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 20,485</u>	<u>\$ 17,855</u>
Cash paid for income taxes	<u>N/A</u>	<u>N/A</u>

The accompanying notes are an integral part of this statement.

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2015 and 2014

1. Organization and Purpose

Beaches Habitat for Humanity, Inc. (the Organization) was established November 28, 1990 to provide affordable housing for low income families in the beach communities of Jacksonville, Florida, who have demonstrated a housing need, have the ability to repay a non-interest bearing mortgage, and have the willingness to volunteer 300-400 hours of their time to the project. These houses are constructed with the assistance of volunteer labor.

Recognizing the importance of education in breaking the cycle of poverty, the Organization offers a number of educational support and enrichment programs to assist students and families in achieving their highest academic potential. In addition, the Organization provides access to college scholarship programs.

2. Summary of Significant Accounting Principles

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred. Revenues from the sale of houses are recognized at the transfer to the homeowner. Construction costs are capitalized and carried as an asset until the property is completed and sold.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Organization has no temporarily or permanently restricted net assets.

Mortgage Notes Receivable

The Organization has a policy of selling affordable housing with interest free mortgages. Therefore, mortgages receivable do not have a stated interest rate. Receivables are assessed individually for collectability based on the surrounding facts and circumstances and management's past history. The Organization does not maintain an allowance for uncollectible mortgages receivable because the home buyers are allowed a significant credit for their volunteer labor and the Organization has the ability to foreclose on properties and resell them to collect any past due amounts. All mortgages and contracts for deed are due based on the notes terms. Management believes all mortgages and contracts for deed receivable are realizable through either collection or foreclosure proceeds, if not collected.

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2015 and 2014

Inventories

Inventories consist of construction supplies and homes. The construction supplies are valued at the lower of cost or market. Cost is determined on the first-in, first out method. Donated items are recorded at estimated fair value at the date of donation. Home inventory consists of houses and lots constructed or purchased by the Organization for the rehabilitation and resale. The houses and lots are valued at the lower of specific acquisition and carrying costs or estimated net value. Any additional costs to rehabilitate the homes are added to the carrying cost of the home. Repurchased homes acquired through or in lieu of loan foreclosure are initially recorded at the lesser of outstanding loan balance less the outstanding discount on the loan or the fair value.

Property and Equipment

The Organization's policy is to capitalize property and equipment costing \$500 or more. Lesser amounts are expensed. Property and equipment are recorded at cost, or if donated, at fair value at the date of donation. Depreciation is computed using accelerated methods over the useful lives of the assets.

Notes Payable

Notes payable are recorded at their outstanding principal amounts.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Other income from operations not directly related to the Organization's non-profit purposes is taxable at the regular corporate tax rates.

The Organization follows the provisions of FASB ASC 740-10-25. Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on Beaches Habitat for Humanity, Inc.'s financial statements. Beaches Habitat for Humanity, Inc. does not believe there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended June 30, 2015 and 2014, there were no interest or penalties recorded or included in its financial statements. Beaches Habitat for Humanity, Inc. is no longer subject to U.S. federal income tax examinations by the tax authorities for the years June 30, 2011 and earlier.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Classification of Expenses

The Organization allocated its expenses on a functional basis among its various programs including fundraising activities and support services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

Beaches Habitat for Humanity, Inc.

(a non-profit organization)

Notes to the Financial Statements

June 30, 2015 and 2014

Donated Materials, Long-lived Assets, Facilities & Services

Donated materials are recorded as contributions at their estimated fair value at the date of donation. Long-lived assets or the use facilities are recorded as contributions in the period received at fair value. Contribution of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills and are provided by individuals possessing those skills.

Valuation

To best reflect economic realities and comply with certain grant requirements, the selling price of new homes is at approximate appraisal value. The mortgage receivable due from the homeowner is adjusted to reflect the value of significant volunteer credits in the form of internal down payment assistance, thus meeting the requirements of the national organization.

Repurchased Homes

Repurchased homes acquired through or in lieu of loan foreclosure are initially recorded at the lesser of outstanding loan balance less the outstanding discount on the loan or the fair value. Any write-down on the asset to fair value at the date of acquisition is charged to loss on the statement of activities. Cost of significant property improvements are added to the cost of the home, whereas costs relating to holding the property are expensed.

Revenue and Cost Recognition

The Organization recognizes revenue from all homebuilding activities at the closing of the sale using the deposit method. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized, and all customer deposits are treated as liabilities. Capitalized costs are charged to earnings upon closing. Costs incurred in connection with completed homes and general and administrative costs are charged to expense as incurred.

3. Escrow Deposits

The Organization holds escrow deposits on behalf of persons with outstanding mortgage receivables. The escrows are for purposes of repairs and maintenance. The escrow deposits are held in a commercial bank account. The outstanding escrow balances were \$301,696 and \$276,036 at June 30, 2015 and 2014, respectively.

4. Mortgage Notes Receivable

The Organization provides 100% financing on homes purchased over a 20 to 30 year period at no interest. Generally Accepted Accounting Principles require that contractual rights to receive money in the future be recorded at the present value of the consideration given in exchange.

The value of the house given in exchange for the mortgage note is deemed to be the present value of all future mortgage principal payments using an imputed interest rate. The difference between the face amount of the note and its present value is accounted for as a discount, recorded on the balance sheet reducing mortgage notes receivable, and amortized over the life of the note by the interest method. Present value is calculated using rates determined for the year the mortgage was executed. Rates used for the year ending, June 30, 2015 and 2014, were 7.51% and 7.58% respectively.

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2015 and 2014

Mortgage activity for the year ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance - beginning of period	\$ 3,328,183	\$ 3,066,776
New mortgages	1,348,918	1,052,711
Mortgage discount, changes and amortization	(389,812)	(399,845)
Payments received	(401,059)	(390,964)
Net loan swaps/buy back, foreclosures and deeds in lieu	<u>(95,493)</u>	<u>(495)</u>
Balance - end of period	<u>\$ 3,790,737</u>	<u>\$ 3,328,183</u>

As of June 30, 2015 and 2014, the unamortized discount remaining was \$6,104,300 and \$5,714,487 respectively.

All notes are collateralized by a first mortgage lien on the real property sold. In the event of a default by the mortgagor, the property may be repossessed to satisfy any outstanding obligations. In addition, all mortgages are non-assumable without prior written approval of the Organization. Since all houses are collateralized by a first mortgage lien and the high demand for affordable housing in the area, the Organization has made no allowance for uncollectible mortgages.

\$2,084,282 of select mortgage receivables serve as collateral for a commercial bank line of credit.

As of June 30, 2015 and 2014, the Organization had 42 and 60 delinquent loans, with approximate delinquent balances of \$50,000 and \$51,000, respectively. The total principal balance for the delinquent mortgages as of June 30, 2015 and 2014 is approximately \$2,445,000 and \$2,780,000, respectively.

5. Construction Inventory

All construction costs, including materials and subcontract labor paid by the Organization as well as the value of those items donated to the Organization, are considered work in progress until a mortgage is signed on the house.

At June 30, 2015 and 2014, there were no completed but unsold homes as well as 13 and 14 homes in process, respectively. There was 1 and 0 repurchased homes at June 30, 2015 and 2014, respectively. The detail of the construction inventory is as follows:

	<u>2015</u>	<u>2014</u>
Land & land infrastructure	\$ 2,687,227	\$ 1,629,666
Construction in process	644,865	598,713
	<u>\$ 3,332,092</u>	<u>\$ 2,228,379</u>

Beaches Habitat for Humanity, Inc.
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Notes to the Financial Statements
June 30, 2015 and 2014

6. Property and Equipment

Property and equipment consisted of:

	<u>2015</u>	<u>2014</u>
Land	\$ 106,848	\$ 106,848
Building & improvements	504,031	504,031
Equipment	190,140	157,627
	<u>801,019</u>	<u>768,506</u>
Less accumulated depreciation	(176,503)	(150,733)
	<u>\$ 624,516</u>	<u>\$ 617,775</u>

7. Deposits and Payments on Houses Awaiting Closing

As stated in Note 1, families must meet certain requirements before they can sign a mortgage on a house. If the house is completed before these requirements are met, then the family is allowed to rent the house while working to meet the requirements. Families receive a rent credit at the time the house is closed, at which time it is applied to reduce the mortgage. In addition, down payments of \$500 are collected on all houses and are applied to reduce the mortgage at closing.

At June 30, 2015 and 2014, the Organization had \$4,050 and \$3,625 down payment credits. There were no rent applied credits.

8. Line of Credit

Commercial bank line of credit in the amount of \$300,000 with interest at the prime rate less one-half percent. The line of credit was paid off in the period ending June 30, 2015. The line of credit was unsecured. The outstanding balance was \$0 at June 30, 2015 and 2014, respectively.

Commercial bank line of credit in the amount of \$1,000,000; the interest rate is LIBOR plus two and one-half percent, currently 3.00%, secured by select mortgage receivables. The line of credit matures May 2015. The outstanding balance was \$850,710 and \$0 at June 30, 2015 and 2014, respectively.

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2015 and 2014

9. Notes Payable

The Organization had the following notes payable at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Commercial bank note, interest at the bank's prime rate plus one-half percent, currently 3.75%, secured by land and assignment of leases and rents of property built on the land; payable in 36 monthly payments of \$5,513, using a ten year amortization, and a balloon payment due September 2016.	\$ 467,727	\$ 515,119
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$1,041, beginning July 2014 and maturing July 2018.	18,770	31,262
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$781, beginning July 2013 and maturing July 2017.	23,442	32,814
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$208 beginning July 2012 and maturing July 2016.	2,512	5,008
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$950 a month beginning January 2015 and maturing January 2019.	39,901	45,601
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$833 beginning July 2012 and maturing July 2016.	15,010	25,006
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$73 beginning July 2015 and maturing July 2019.	3,507	3,507
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$1,169 beginning July 2016 and maturing July 2020.	56,124	56,124
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$234 beginning July 2015 and maturing July 2019.	11,250	11,250

Beaches Habitat for Humanity, Inc.
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Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$1,328 beginning July 2016 and maturing July 2020.	63,750	63,750
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$3,015 beginning January 2017 and maturing January 2021.	144,769	-
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$390 beginning January 2017 and maturing January 2021.	18,750	-
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$364 beginning July 2015 and maturing July 2019.	17,500	-
Unsecured, non-interest bearing notes payable to affiliate, payable in 48 monthly principal payments of \$1,101 beginning July 2016 and maturing July 2020.	52,874	-
	<u>935,886</u>	<u>789,441</u>
Less current portion	(146,164)	(87,295)
Long-term portion	<u>\$ 789,722</u>	<u>\$ 702,146</u>

Principal payments on notes payable for each of the next five years are as follows:

2016	\$ 146,164
2017	522,286
2018	108,186
2019	97,884
2020	61,366
Thereafter	-
	<u>\$ 935,886</u>

10. Donations

Building materials, subcontract labor and land which are donated to the Organization are valued at their estimated fair value and recorded as contract costs. In kind contributions totaled \$95,315 and \$180,160 for the years ended June 30, 2015 and 2014, respectively.

Beaches Habitat for Humanity, Inc.
(a non-profit organization)
Notes to the Financial Statements
June 30, 2015 and 2014

11. Concentrations of Credit Risk

Since the Organization's home sales are concentrated within one geographic location (Beaches Community of the Jacksonville, Florida area) to individuals who would otherwise not qualify for home mortgage financing, there is a significant concentration of credit risk associated with the Organization's mortgage notes receivable. In an effort to minimize this risk, it is the Organization's policy to require credit reports, employment verifications and police checks on all potential homeowners. Additional protection is provided by the recorded first mortgage lien on the real property during the period the mortgage is outstanding and the non-assumable nature of the mortgage without prior written approval of the Organization.

The Organization had commercial bank accounts at two commercial banks of \$417,139 and \$373,773 at June 30, 2015, which are \$289,912 above the insured FDIC limit of \$250,000.

12. Affiliation

The Organization is an affiliate of Habitat for Humanity International, Inc.

13. Separate Cash Accounts

Certain grants require separate cash accounts and/or accounting. The Organization maintains the appropriate accounts and/or accounting.

14. Subsequent Events

Subsequent events were evaluated through November 10, 2015, the date the financial statements were available for release.

15. Related Party Transaction

During the year ending June 30, 2015 and 2014, \$129,259 and \$2,200 was paid to a Board Member for architectural services. In 2014, a Board Member assisted in the purchase of real property. A \$6,546 commission was paid by the seller. In 2015, association fees of \$950 were paid to a Board Member.

16. Reclassifications

Certain reclassifications were made to 2014 balances to enhance comparability.