

HABITAT FOR HUMANITY OF GREATER LOWELL, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2015

HABITAT FOR HUMANITY OF GREATER LOWELL, INC.  
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# CAIN, BOURRET, JARRY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Stephen A. Cain, CPA

Steven R. Bourret, CPA, CGMA

David A. Jarry, CPA, MST

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Habitat for Humanity of Greater Lowell, Inc.  
Westford, Massachusetts

We have audited the accompanying financial statements of HABITAT FOR HUMANITY OF GREATER LOWELL, INC. (a Massachusetts not-for-profit corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets 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.

### Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HABITAT FOR HUMANITY OF GREATER LOWELL, INC. as of June 30, 2015, and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of program service expenses, management and general expenses and fundraising expenses are presented for purposes of additional analysis and are 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.

#### **Report on Summarized Comparative Information**

We have previously audited HABITAT FOR HUMANITY OF GREATER LOWELL, INC.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Cain, Bourret, Jarry & Associates, LLC*

Dracut, Massachusetts

October 2, 2015

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2015**

(With Summarized Financial Information for the Year Ended June 30, 2014)

	ASSETS		Totals	
	Unrestricted	Temporarily Restricted	2015	2014
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 499,503	\$ -	\$ 499,503	\$ 236,368
Cash - collateralized	-	-	-	36,215
Short term investments	-	28,000	28,000	-
Contributions and grants receivable	-	115,750	115,750	95,916
Other receivable	20,385	-	20,385	17,180
Inventory - Restore	134,221	-	134,221	120,769
Prepaid expenses	4,206	-	4,206	4,043
Construction costs	-	782,422	782,422	438,320
Current portion of mortgages receivable	72,409	-	72,409	64,925
<b>Total Current Assets</b>	<u>730,724</u>	<u>926,172</u>	<u>1,656,896</u>	<u>1,013,736</u>
<b>PROPERTY AND EQUIPMENT</b>				
Leasehold improvements	135,360	-	135,360	135,360
Capitalized Restore costs	81,864	-	81,864	81,864
Vehicles	16,150	-	16,150	16,150
Office equipment	13,011	-	13,011	13,011
Less: accumulated depreciation	(64,469)	-	(64,469)	(44,807)
<b>Net Equipment</b>	<u>181,916</u>	<u>-</u>	<u>181,916</u>	<u>201,578</u>
<b>OTHER ASSETS</b>				
Mortgages receivable, net of current portion	1,517,478	-	1,517,478	1,412,539
Deposits	14,427	-	14,427	7,427
<b>Total Other Assets</b>	<u>1,531,905</u>	<u>-</u>	<u>1,531,905</u>	<u>1,419,966</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,444,545</u>	<u>\$ 926,172</u>	<u>\$ 3,370,717</u>	<u>\$ 2,635,280</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Line of credit	\$ -	\$ 56,000	\$ 56,000	\$ -
Accounts payable	27,995	28,200	56,195	22,815
Accrued expenses	62,126	-	62,126	73,837
Prepaid deposits	-	9,000	9,000	-
Current portion of long-term debt	24,020	-	24,020	18,633
<b>Total Current Liabilities</b>	114,141	93,200	207,341	115,285
Long-Term Debt, net of current	147,711	-	147,711	138,604
<b>TOTAL LIABILITIES</b>	<u>261,852</u>	<u>93,200</u>	<u>355,052</u>	<u>253,889</u>
<b>NET ASSETS</b>	<u>2,182,693</u>	<u>832,972</u>	<u>3,015,665</u>	<u>2,381,391</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,444,545</u>	<u>\$ 926,172</u>	<u>\$ 3,370,717</u>	<u>\$ 2,635,280</u>

See independent auditor's report and notes to financial statements

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2015**

(With Summarized Financial Information for the Year Ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Totals	
			2015	2014
<b>NET ASSETS</b>				
<b>Revenue and Support</b>				
Sale of homes	\$ -	\$ 186,300	\$ 186,300	\$ 339,047
Contributions and grants	290,902	643,115	934,017	714,104
Donated services and materials	-	328,445	328,445	151,986
Special events, net	106,630	-	106,630	108,266
Restore program	569,346	-	569,346	521,003
Mortgage income	59,095	-	59,095	49,187
Miscellaneous income	8,336	-	8,336	7,722
Interest income	74	-	74	93
Net assets released from restrictions	425,354	(425,354)	-	-
<b>TOTAL SUPPORT, REVENUES AND RELEASES</b>	<b>1,459,737</b>	<b>732,506</b>	<b>2,192,243</b>	<b>1,891,408</b>
<b>FUNCTIONAL EXPENSES</b>				
Program service expenses	944,212	433,770	1,377,982	1,473,506
Management and general expenses	70,549	-	70,549	60,213
Fundraising expenses	109,438	-	109,438	99,044
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>1,124,199</b>	<b>433,770</b>	<b>1,557,969</b>	<b>1,632,763</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>335,538</b>	<b>298,736</b>	<b>634,274</b>	<b>258,645</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,847,155</b>	<b>534,236</b>	<b>2,381,391</b>	<b>2,122,746</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,182,693</b>	<b>\$ 832,972</b>	<b>\$ 3,015,665</b>	<b>\$ 2,381,391</b>

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(With Summarized Financial Information for the Year ended June 30, 2014)

	Temporarily		Totals	
	Unrestricted	Restricted	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash contributions and grants received	\$ 716,256	\$ 197,927	\$ 914,183	\$ 706,020
Cash paid to suppliers and employees	(579,115)	(421,227)	(1,000,342)	(1,012,311)
Interest received	74	-	74	93
Interest paid	(5,293)	-	(5,293)	(6,918)
Mortgage income and sale of homes	(53,328)	195,300	141,972	113,306
Restore program	18,866	-	18,866	28,141
Other operating receipts	114,966	-	114,966	242,105
<b>Net cash provided (used) by operating activities</b>	<u>212,426</u>	<u>(28,000)</u>	<u>184,426</u>	<u>70,436</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	-	-	-	(3,866)
Purchase of short term investments	-	(28,000)	(28,000)	-
<b>Net cash provided (used) by investing activities</b>	<u>-</u>	<u>(28,000)</u>	<u>(28,000)</u>	<u>(3,866)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds / (payments) from line of credit	-	56,000	56,000	(36,666)
Cash released from collateral (collateralized) for line of credit	36,215	-	36,215	19,785
Principal proceeds / (payments) for long-term debt	14,494	-	14,494	48,814
<b>Net cash provided (used) by financing activities</b>	<u>50,709</u>	<u>56,000</u>	<u>106,709</u>	<u>31,933</u>
<b>INCREASE (DECREASE) IN CASH</b>	<u>263,135</u>	<u>-</u>	<u>263,135</u>	<u>98,503</u>
<b>CASH, BEGINNING OF YEAR</b>	<u>236,368</u>	<u>-</u>	<u>236,368</u>	<u>137,865</u>
<b>CASH, END OF YEAR</b>	<u>\$ 499,503</u>	<u>\$ -</u>	<u>\$ 499,503</u>	<u>\$ 236,368</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
<b>INCREASE IN NET ASSETS</b>	<u>\$ 335,538</u>	<u>\$ 298,736</u>	<u>\$ 634,274</u>	<u>\$ 258,645</u>
<b>ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Depreciation	19,662	-	19,662	19,733
(Increase) decrease in contributions and grants receivable	-	(19,834)	(19,834)	(8,084)
(Increase) decrease in other receivables	(3,205)	-	(3,205)	1,287
(Increase) decrease in inventory - Restore	(13,452)	-	(13,452)	(25,869)
(Increase) decrease in prepaid expenses	(163)	-	(163)	4,270
(Increase) decrease in inventory - construction costs	-	(344,102)	(344,102)	122,328
(Increase) decrease in mortgages receivable	(112,423)	-	(112,423)	(274,928)
(Increase) decrease in deposits	(7,000)	-	(7,000)	(48)
Increase (decrease) in accounts payable	5,180	28,200	33,380	(30,810)
Increase (decrease) in accrued expenses	(11,711)	-	(11,711)	3,912
Increase (decrease) in prepaid deposits	-	9,000	9,000	-
<b>Total adjustments</b>	<u>(123,112)</u>	<u>(326,736)</u>	<u>(449,848)</u>	<u>(188,209)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 212,426</u>	<u>\$ (28,000)</u>	<u>\$ 184,426</u>	<u>\$ 70,436</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>				
In-kind donated services and materials included in inventory at year end	<u>\$ -</u>	<u>\$ 328,445</u>	<u>\$ 328,445</u>	<u>\$ 49,716</u>

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1. ORGANIZATION AND PURPOSE**

Habitat for Humanity of Greater Lowell, Inc. (the Organization) is a not-for-profit 501(c)(3) organization that works to strengthen families and communities through affordable homeownership opportunities. The Organization works in partnership with corporations, like-minded community groups, faith-based organizations, and individual volunteers to develop communities with people in need by building and renovating simple, decent, energy efficient, affordable homes. The Organization's goal is to eliminate poverty housing and homelessness in the greater Lowell area and to stir the hearts and minds of others to take action on this issue. The Organization receives donations, grants and contributions from individual and corporate donors that enable it to fulfill its mission. The Organization is also affiliated with Habitat for Humanity International, Inc., a worldwide organization with more than 1,400 local affiliates in the United States and more than 70 national organizations around the world. The combined organizations have helped to build or repair more than 900,000 houses and serve more than 5 million people worldwide.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets – The Organization reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor.
- Temporarily restricted net assets – The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. Contributions restricted for capital improvements are released to unrestricted revenue at the time funds are expended for the specified improvement.
- Permanently restricted net assets – Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income can be utilized for purposes specified by the donor.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents for the year ended June 30, 2015.

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Investments consist mainly of certificates of deposit and short-term investments and are reported at cost in the accompanying financial statements. Investment income, which consists of interest and dividend income earned, realized gains or losses and unrealized appreciation (depreciation), if any, on those investments is included in the statement of activities and changes in net assets. Investment income reported as operating revenue consists of interest and dividend income on investments and any gains approved by the Board of Directors for use in operations. All other realized and unrealized gains or losses are reported as non-operating revenue. For the year ended June 30, 2015, short term investments were \$28,000.

**Fair Value of Financial Instruments**

Generally accepted accounting principles establish a framework for measuring fair value.

Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date. Accounting principles require the use of observable market data, when available, in making fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's financial instruments, none of which are held for trading purposes, consist primarily of cash, accounts payable and accrued expenses. The Organization estimates the carrying amount of these financial instruments approximate their fair value recorded in the accompanying financial statements due to their short-term nature.

The carrying amount of the Organization's mortgages receivable and long-term debt generally approximates its fair value at June 30, 2015 as the instruments current interest rate approximates market rates.

**Receivables**

Receivables, other than mortgages, are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to expense, based on its assessment of the current status of individual accounts. All receivables are deemed to be collectible at June 30, 2015.

**Mortgage Receivables**

The Organization transfers rehabilitated and newly constructed homes at prices pre-determined by area, cost of rehab and the income status of the homeowner. This pre-determined price is then discounted in accordance with Internal Revenue Code Section 1288. The discounted amount, which represents the underlying mortgage receivable, is recorded at the original transfer price less the calculated discount. Mortgage receivables that arose prior to January 1, 2003 were discounted at a rate of 8.0%. Effective January 1, 2003 the Organization revised its policy by requiring mortgages be discounted using the applicable long-term Federal Funds rate in effect as of the date of transfer to the homeowner. The mortgages have an original maturity of 20 to 40 years and arise in connection with the Organization's homebuilding initiatives in Greater Lowell, Massachusetts. These mortgages are secured by the underlying real estate that is located primarily in the Greater Lowell, Massachusetts area.

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Mortgage Receivables (Continued)

The underlying real estate is transferred to the homeowner at below the then fair market value. The fair value of the homes is in excess of the related mortgage note balances, and due to the secured creditor status of the Organization, all mortgage balances are fully collectible. The Organization believes that no allowance for doubtful accounts is necessary.

Contributions and Grant Receivables

Contributions and grant receivables that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Contributions receivable are reflected net of an allowance for uncollectible amounts based on management's judgment and analysis of the creditworthiness of the donors, past payment experience, and other relevant factors. At June 30, 2015, the balance of contribution and grant receivables is \$115,750.

Inventory

Inventory consists of donated building supplies and other home improvement items to be sold at the Organization's ReStore. Purchased inventory is valued at cost. Donated inventory is valued at its estimated fair value based on its expected selling price. At June 30, 2015 inventory was valued at \$134,221.

Construction Costs

Construction costs relate to the expenditures for new construction, remodeling and rehabbing of residential property. These costs may represent donated buildings, land, building materials and skilled volunteer services. Donated inventory is recorded at the fair market value on the date of receipt and such items are expensed when used based on the specific identification method. Costs incurred in conjunction with construction are expensed when the home is sold.

Property and Equipment

Property and equipment purchased by the Organization with unrestricted funds is recorded at cost. Donated property and equipment is recorded at fair value at the date of the gift. Depreciation is provided beginning when the asset is placed in service using the straight-line method over the estimated useful life of the asset, ranging from 5 to 15 years. Expenditures for renewals and betterments are capitalized. ReStore costs incurred prior to the opening of the store were capitalized and are being depreciated over 15 years. When assets are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in the change in net assets. Depreciation expense for the year ended June 30, 2015 was \$19,661, of which \$14,482 was related to the ReStore.

Restrictions on Net Assets

The majority of the Organization's net assets and its revenues and expenses are unrestricted or temporarily restricted. Donors generally do not impose restrictions on their donations, except for land and material costs related to the construction or rehabilitation of homes for future transfers to qualified individuals or families. These amounts are reflected as temporarily restricted net assets in the accompanying financial statements. There were no permanently restricted net assets at June 30, 2015.

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues and Support Recognition**

Program service revenues are recorded when earned.

Mortgage income includes the annual amortization of the discount for the present time value of money on the primary mortgage and recognition for the release of the contingent mortgage (Note 5) upon the premature sale by a homeowner. For the year ended June 30, 2015 mortgage income was \$59,095.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received with donor-imposed restrictions are reported as revenues and as temporarily restricted when they are received. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as temporarily restricted revenues, and the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as temporarily restricted revenues and expenses at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. A substantial number of volunteers have made significant contributions of their time to the Organization's program of building and rehabbing houses, and other supporting services. The value of this contributed time is not reflected in these financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, such as plumbing, HVAC and electrical are provided by individuals possessing those skills and/or licenses that would otherwise need to be purchased if not provided by donation are recognized as temporarily restricted revenue. Contributions of materials to be used in program operations are reported as revenues and expenses of the temporarily restricted net asset category at the time the materials are received. Contributed services and materials for the year ended June 30, 2015 totaled approximately \$328,445.

**Fundraising and Special Events**

General fundraising costs are recorded as an expense when incurred and the related revenue is included as contributions.

Revenue from special events is reported net of direct costs.

**Advertising**

The Organization expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2015 is \$5,470 and relates entirely to the ReStore Program.

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

Employees of the Organization are entitled to paid vacation, sick days, and other personal days off, depending on job classification, length of service, and other factors. These entitlements accrue during the calendar year but must be used by the end of the calendar year or the employee forfeits the benefit as explained in the employee handbook. For the year ended June 30, 2015, the Organization accrued a liability for compensated absences in the amount of \$8,271.

**Functional Allocation of Expenses**

The costs of providing programs and other activities of the Organization have been summarized on a functional basis in the Statements of Activities and Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Income Taxes and Uncertain Tax Positions**

Habitat for Humanity of Greater Lowell, Inc. is exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, pursuant to a group exemption letter received from the Internal Revenue Service. The organization is not a private foundation. Only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Organization accounts for income taxes in accordance with income tax accounting guidance in FASB ASC Topic 740, *Income Taxes*.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and have measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from any tax authorities were recorded in the accompanying financial statements.

The Organization's federal exempt tax returns for the year ended June 30, 2012 through June 30, 2015 (open years) are subject to examination by the Internal Revenue Service.

**Note 3. CONCENTRATION OF CREDIT RISK**

Habitat for Humanity of Greater Lowell, Inc. maintains its cash balances in bank accounts at high quality credit financial institutions. The balances, at times may exceed federally insured limits (FDIC). Pursuant to Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the standard maximum insurance amount was permanently raised to \$250,000. At June 30, 2015 Habitat exceeded the FDIC insured limit by \$57,168. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. The Organization monitors the credit-worthiness of the financial institutions in which it deposits money.

The Organization's concentration of credit risk with respect to mortgages receivable depends on its partner families ability to repay, which may vary with economic conditions within this geographic area.

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 4. MORTGAGES RECEIVABLE**

Transfers to homeowners represent the sale of houses built by Habitat in exchange for mortgage notes with no interest. As discussed in Note 2 these mortgages are payable over 20 – 40 years and discounted for the present time value of money. Mortgage payments received after 15 days are considered late and subject to the Organization's delinquency policy. The Organization has a liberal policy of working with homeowners to ensure that accounts are brought up to date and all remedies exhausted before any legal action will commence. At June 30, 2015 Habitat had 28 loans outstanding with a gross value of \$2,147,604 and a discounted value of \$1,589,887.

The annual maturities stated at their discounted present value to be received over the next five years and in the aggregate as follows:

<u>Year Ended</u>	<u>Amount</u>
2016	\$ 72,409
2017	74,100
2018	74,711
2019	76,725
2020	76,644
Thereafter	<u>1,215,298</u>
Total	<u>\$ 1,589,887</u>

**Note 5. CONTINGENT MORTGAGES RECEIVABLE**

Homeowners who purchase housing through the Organization's program are subject to additional payments should the house be sold before the full term of the mortgage. The remaining payments on the original mortgage would be due at the closing and they would be subject to a second predetermined (contingent) mortgage. Contingent mortgage receivables are not reported in the accompanying financial statements, and their outstanding balances at June 30, 2015 totaled \$959,118. At present, management does not believe that any of the outstanding contingent mortgages will be realized.

**Note 6. LONG-TERM DEBT**

At June 30, 2015 long-term debt consisted of a 3.80% promissory note in the original amount of \$143,000 payable to Habitat for Humanity International, Inc. in equal quarterly installments of \$5,877.31 including interest through December 2020, secured by the four mortgage receivables originating in FY10 held by Habitat for Humanity of Greater Lowell, Inc. The Organization also has seven federal SHOP grants in various amounts with a no interest loan provision granted by HUD but administered and applied for through Habitat for Humanity International, Inc. The grants are awarded for the infrastructure of home building based on cost reimbursement, however, one quarter of the money granted must be paid back over 48 month terms.

Current portion	\$ 24,020
Long-term debt, net of current portion	<u>147,711</u>
Total	<u>\$ 171,731</u>

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2015**

**Note 6. LONG-TERM DEBT (Continued)**

Annual maturities of long-term debt over the next five years and in the aggregate are as follows:

<u>Year Ended</u>	<u>Amount</u>
2016	\$ 24,020
2017	29,636
2018	35,195
2019	34,163
2020	32,212
Thereafter	<u>16,505</u>
Total	<u>\$ 171,731</u>

**Note 7. RESTORE PROGRAM**

The Organization established its first ReStore in the year ended June 30, 2012. The ReStore is set-up to receive donated goods such as building materials and household items that would otherwise be destined for landfills. The Organization then stores and sells these goods to the public at discount prices. This both raises money for the Organization's programs and makes discounted materials available for the public. For the year ended June 30, 2015 the ReStore Program generated \$569,346 of revenues with associated costs of \$533,823. This resulted in net income of \$35,523 on ReStore activities. The revenue total includes \$17,254 of donated goods and materials.

**Note 8. CONTRIBUTION TO HABITAT FOR HUMANITY INTERNATIONAL, INC.**

Habitat for Humanity International, Inc. has a suggested 10% tithing based on internal calculations for unrestricted funds, however, there is no penalty for tithing less than this amount. This amount is used for Habitat for Humanity International's, worldwide housing programs. As a Board, the Organization has voted to tithe International \$25,000 per year. For the year ended June 30, 2015 contributions to Habitat for Humanity International, Inc. were \$25,000.

**Note 9. OPERATING LEASES**

Effective November 1, 2010, the Organization is a tenant-at-will for office space located at 124 Main St, Westford, Massachusetts. Current monthly payments are \$800 plus certain utilities. The Organization sublets office space to a related party of the Executive Director for \$300 per month as a tenant-at-will.

Effective May 1, 2012, the Organization entered into a three (3) year lease agreement for space located at 257 Boston Road, Billerica, Massachusetts to be used in connection with the ReStore Program. Current monthly payments are \$9,750, plus the property's real estate taxes, property and liability insurance, and certain utilities. Payments made before the opening of the ReStore were capitalized.

Total rental payments made for operating leases for the year ended June 30, 2015 were \$123,000.

Effective May 28, 2015, the Organization entered into a ten (10) year lease agreement for space located at 440 Middlesex Road, Tyngsboro, Massachusetts. The ReStore will be relocating to this new location in October 2015. Initial monthly payments are \$7,000 per month.

HABITAT FOR HUMANITY OF GREATER LOWELL, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

Note 10. RELATED PARTY TRANSACTIONS

The Organization uses a law firm for services related to house closings and foreclosures that employs a member of the Board of Trustees. For the year ended June 30, 2015 legal fees paid to this firm totaled \$4,193.

Management believes these transactions are not substantially different than if conducted with unrelated parties.

Note 11. SUBSEQUENT EVENTS

Management has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2015 through October 2, 2015, the date the financial statements were first available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

**SUPPLEMENTARY INFORMATION**

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**

**STATEMENT OF PROGRAM SERVICE EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2015**

(With Summarized Financial Information for the Year Ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
Construction and building costs	\$ 43,904	\$ 433,770	\$ 477,674	\$ 635,419
ReStore expenses	533,823	-	533,823	494,149
Salaries and wages	255,276	-	255,276	241,503
Tithing dues	25,000	-	25,000	25,000
Employee benefits	19,672	-	19,672	18,047
Payroll taxes	23,758	-	23,758	25,124
Insurance	20,829	-	20,829	22,029
Interest	5,293	-	5,293	6,918
Office	-	-	-	74
Other mission costs	11,960	-	11,960	1,363
Travel and training	3,371	-	3,371	2,543
Telecommunications	1,326	-	1,326	1,337
Bank and credit card fees	-	-	-	-
<b>TOTAL PROGRAM SERVICE EXPENSES</b>	<b><u>\$ 944,212</u></b>	<b><u>\$ 433,770</u></b>	<b><u>\$ 1,377,982</u></b>	<b><u>1,473,506</u></b>

**HABITAT FOR HUMANITY OF GREATER LOWELL, INC.**  
**STATEMENT OF MANAGEMENT AND GENERAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(With Summarized Financial Information for the Year Ended June 30, 2014)

	Temporarily		Totals	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>2015</u>	<u>2014</u>
Salaries and wages	\$ 10,464	\$ -	\$ 10,464	\$ 9,328
Outside services	23,117	-	23,117	23,094
Office	5,328	-	5,328	659
Professional fees	10,084	-	10,084	5,205
Rent and utilities	6,533	-	6,533	6,828
Payroll taxes	885	-	885	851
Depreciation	5,180	-	5,180	5,252
Employee benefits	1,127	-	1,127	1,225
Travel and training	5,124	-	5,124	4,104
Telecommunications	1,599	-	1,599	1,876
Postage	611	-	611	280
Bank charges	472	-	472	1,511
Miscellaneous	25	-	25	-
<b>TOTAL MANAGEMENT AND GENERAL EXPENSES</b>	<u>\$ 70,549</u>	<u>\$ -</u>	<u>\$ 70,549</u>	<u>\$ 60,213</u>

HABITAT FOR HUMANITY OF GREATER LOWELL, INC.

STATEMENT OF FUNDRAISING EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

(With Summarized Financial Information for the Year Ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
Salaries and wages	\$ 71,858	\$ -	\$ 71,858	\$ 68,670
Printing and publication costs	7,142	-	7,142	9,587
Payroll taxes	6,658	-	6,658	6,852
Travel and training	10,739	-	10,739	6,829
Bank and credit card fees	2,166	-	2,166	1,928
Employee benefits	5,380	-	5,380	2,004
Office	970	-	970	860
Membership dues	1,979	-	1,979	1,461
Postage	2,546	-	2,546	853
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUNDRAISING EXPENSES</b>	<u>\$ 109,438</u>	<u>\$ -</u>	<u>\$ 109,438</u>	<u>\$ 99,044</u>