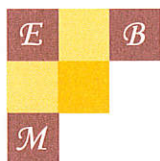


**RUTHERFORD COUNTY AREA  
HABITAT FOR HUMANITY, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2014 AND 2013**

**RUTHERFORD COUNTY AREA  
HABITAT FOR HUMANITY, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2014 AND 2013**

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*Edmondson, Betzler & Montgomery, PLLC*  
(Certified Public Accountants)

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Rutherford County Area Habitat for Humanity, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Rutherford County Area Habitat for Humanity, Inc. which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and 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 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 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 statement. The procedures selected depend on the auditor's judgment, including 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rutherford County Area Habitat for Humanity, Inc. as of June 30, 2014 and 2013, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Barnhart, Butler & Montgomery, PLLC*

October 29, 2014

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

|   | 2014                       | 2013                       |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>   |                            |                            |
| <b>CURRENT ASSETS</b>   |                            |                            |
| Cash and cash equivalents                                     | \$ 517,793                 | \$ 464,990                 |
| Accounts receivable   | 10,574                     | 12,982                     |
| Warehouse inventory   | 38,601                     | 71,390                     |
| Construction in process/lots held                             | 817,030                    | 804,007                    |
| Contributions receivable currently due, net                   | 39,769                     | 51,235                     |
| Current portion of mortgages                                  | <u>179,590</u>             | <u>170,058</u>             |
| Total current assets  | <u>1,603,357</u>           | <u>1,574,662</u>           |
| Property and equipment, net                                   | <u>937,577</u>             | <u>937,985</u>             |
| <b>OTHER ASSETS</b>   |                            |                            |
| Mortgages receivable - long-term portion                      | 1,080,997                  | 1,096,823                  |
| Non-current contributions receivable, net                     | 12,370                     | 29,348                     |
| Other assets  | <u>2,643</u>               | <u>3,348</u>               |
| Total other assets  | <u>1,096,010</u>           | <u>1,129,519</u>           |
| <b>TOTAL ASSETS</b>   | <u><u>\$ 3,636,944</u></u> | <u><u>\$ 3,642,166</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>                             |                            |                            |
| <b>CURRENT LIABILITIES</b>                                    |                            |                            |
| Current portion of long-term debt                             | \$ 62,757                  | \$ 62,757                  |
| Lines of credit   | 250,298                    | 169,089                    |
| Note payable - THDA   | -                          | 100,000                    |
| Accounts payable  | 2,812                      | 8,876                      |
| Escrow funds held   | 26,195                     | 75,949                     |
| Other accrued expenses  | <u>5,482</u>               | <u>7,842</u>               |
| Total current liabilities                                     | <u>347,544</u>             | <u>424,513</u>             |
| <b>LONG-TERM LIABILITIES</b>                                  |                            |                            |
| Long-term debt, less current portion of mortgage note payable | <u>801,357</u>             | <u>867,681</u>             |
| <b>NET ASSETS</b>   |                            |                            |
| Unrestricted  | 2,380,904                  | 2,239,389                  |
| Temporarily restricted  | <u>107,139</u>             | <u>110,583</u>             |
| Total net assets  | <u>2,488,043</u>           | <u>2,349,972</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                       | <u><u>\$ 3,636,944</u></u> | <u><u>\$ 3,642,166</u></u> |

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

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

|   | 2014                           | 2013                           |
|---|--------------------------------|--------------------------------|
| <b>SUPPORT AND REVENUE:</b>                     |                                |                                |
| Grants/contributions                            | \$ 398,910                     | \$ 537,914                     |
| Transfers to homeowners                         | 476,953                        | 507,951                        |
| Mortgage discount amortization                  | 85,422                         | 96,157                         |
| Contributions of land, materials, labor         | 69,074                         | 86,151                         |
| Interest income                                 | 680                            | 344                            |
| ReStore income                                  | 486,913                        | 553,150                        |
| Other income                                    | 59,327                         | 43,622                         |
| Net assets released from restrictions           | <u>74,037</u>                  | <u>90,597</u>                  |
| <br>Total unrestricted support and revenue      | <br><u>1,651,316</u>           | <br><u>1,915,886</u>           |
| <b>EXPENSES:</b>                                |                                |                                |
| Program services:                               |                                |                                |
| Construction                                    | 979,817                        | 909,573                        |
| ReStore   | 386,389                        | 421,240                        |
| Fundraising                                     | 14,933                         | 61,777                         |
| General and administrative                      | <u>128,662</u>                 | <u>108,338</u>                 |
| <br>Total expenses                              | <br><u>1,509,801</u>           | <br><u>1,500,928</u>           |
| <br>CHANGE IN UNRESTRICTED NET ASSETS           | <br><u>141,515</u>             | <br><u>414,958</u>             |
| <b>TEMPORARILY RESTRICTED NET ASSETS:</b>       |                                |                                |
| Grants and contributions                        | 70,593                         | 40,000                         |
| Net assets released from restrictions           | <u>(74,037)</u>                | <u>(90,597)</u>                |
| <br>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | <br><u>(3,444)</u>             | <br><u>(50,597)</u>            |
| <br>CHANGES IN NET ASSETS                       | <br>138,071                    | <br>364,361                    |
| <br>NET ASSETS, BEGINNING OF YEAR               | <br><u>2,349,972</u>           | <br><u>1,985,611</u>           |
| <br>NET ASSETS, END OF YEAR                     | <br><u><u>\$ 2,488,043</u></u> | <br><u><u>\$ 2,349,972</u></u> |

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

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2014 AND 2013

|  | 2014         |            |                            |                |              | 2013         |            |                            |                |              |
|--|--------------|------------|----------------------------|----------------|--------------|--------------|------------|----------------------------|----------------|--------------|
|  | Program      |            | General and Administrative |                |              | Program      |            | General and Administrative |                |              |
|  | Construction | ReStore    | Fundraising                | Administrative | Total        | Construction | ReStore    | Fundraising                | Administrative | Total        |
| Construction materials and supplies            | \$ 527,315   | \$ -       | \$ -                       | \$ -           | \$ 527,315   | \$ 494,691   | \$ -       | \$ -                       | \$ -           | \$ 494,691   |
| Payroll and related costs                      | 200,989      | 154,153    | 10,041                     | 63,923         | 429,106      | 178,740      | 178,180    | 56,200                     | 42,859         | 455,979      |
| Mortgage discount                              | 158,438      | -          | -                          | -              | 158,438      | 150,209      | -          | -                          | -              | 150,209      |
| ReStore costs of sales                         | -            | 153,192    | -                          | -              | 153,192      | -            | 167,978    | -                          | -              | 167,978      |
| Insurance                                      | 30,072       | 17,542     | 1,002                      | 1,504          | 50,120       | 27,731       | 13,258     | 1,848                      | 3,216          | 46,053       |
| Depreciation and amortization                  | 4,883        | 27,285     | 1,864                      | 3,243          | 37,275       | 4,182        | 23,370     | 1,596                      | 2,778          | 31,926       |
| Tools  | 24,349       | -          | -                          | -              | 24,349       | 21,130       | -          | -                          | -              | 21,130       |
| Utilities                                      | 2,362        | 13,196     | 901                        | 1,569          | 18,028       | 2,464        | 13,800     | 942                        | 1,640          | 18,846       |
| Interest                                       | 2,155        | 12,042     | 823                        | 1,431          | 16,451       | 2,322        | 12,975     | 886                        | 1,542          | 17,725       |
| Habitat International tithes and contributions | 6,000        | -          | -                          | 5,000          | 11,000       | 6,000        | -          | -                          | -              | 6,000        |
| Office supplies                                | 85           | 1,185      | -                          | 10,718         | 11,988       | 2,148        | 1,412      | -                          | 7,051          | 10,611       |
| Miscellaneous                                  | 8,791        | 1,099      | -                          | 1,714          | 11,594       | 3,728        | 1,061      | -                          | 587            | 5,376        |
| Contract labor                                 | 175          | -          | -                          | 10,513         | 10,688       | 400          | 215        | -                          | 9,722          | 10,337       |
| Repair and maintenance                         | 80           | 839        | -                          | 8,736          | 9,655        | 80           | 5,656      | -                          | 12,175         | 17,911       |
| Telephone                                      | 792          | 4,427      | 302                        | 526            | 6,047        | 341          | 2,043      | -                          | 1,161          | 3,545        |
| Accounting and legal                           | -            | -          | -                          | 6,000          | 6,000        | -            | -          | -                          | 10,200         | 10,200       |
| Community events                               | 5,689        | -          | -                          | -              | 5,689        | 9,323        | -          | -                          | -              | 9,323        |
| Printing                                       | -            | 665        | -                          | 4,392          | 5,057        | 664          | 467        | -                          | 3,371          | 4,502        |
| Dues and fees                                  | 306          | -          | -                          | 4,240          | 4,546        | 858          | -          | 305                        | 6,517          | 7,680        |
| Training                                       | 3,832        | 675        | -                          | 26             | 4,533        | 3,326        | 360        | -                          | -              | 3,686        |
| Meetings and travel                            | 2,284        | 99         | -                          | 1,227          | 3,610        | 1,146        | 273        | -                          | 1,376          | 2,795        |
| Bank charges                                   | -            | -          | -                          | 2,001          | 2,001        | -            | 192        | -                          | 2,230          | 2,422        |
| PO Box rental and postage                      | -            | -          | -                          | 1,899          | 1,899        | 90           | -          | -                          | 1,913          | 2,003        |
| Advertising                                    | 1,220        | -          | -                          | -              | 1,220        | -            | -          | -                          | -              | -            |
| Total expenses                                 | \$ 979,817   | \$ 386,389 | \$ 14,933                  | \$ 128,662     | \$ 1,509,801 | \$ 909,573   | \$ 421,240 | \$ 61,777                  | \$ 108,338     | \$ 1,500,928 |

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

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

|   | 2014              | 2013              |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                   |                   |
| Changes in net assets   | \$ 138,071        | \$ 364,361        |
| Depreciation and amortization   | 37,275            | 31,926            |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Gifts restricted for long-term purposes   | (70,593)          | (40,000)          |
| In kind donation of building lot  | -                 | (18,900)          |
| (Increase) decrease in warehouse inventory  | 32,789            | (13,283)          |
| Decrease in grants/accounts receivable  | 2,408             | 3,977             |
| Increase in construction in process/lost held   | (13,023)          | (117,552)         |
| (Increase) decrease in mortgages receivable   | 6,294             | (81,344)          |
| Decrease in accounts payable  | (6,064)           | (6,825)           |
| Decrease in SHOP Grant payable  | -                 | (3,467)           |
| Increase (decrease) in escrow liability   | (49,754)          | 10,460            |
| Decrease in accrued expenses  | (2,360)           | (892)             |
|   | <u>75,043</u>     | <u>128,461</u>    |
| Net cash provided by operating activities   |                   |                   |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                   |                   |
| Purchase of property and equipment  | (36,162)          | (16,252)          |
| Payment of loan closing costs   | -                 | (3,524)           |
|   | <u>(36,162)</u>   | <u>(19,776)</u>   |
| Net cash used in investing activities   |                   |                   |
| CASH FLOWS FROM FINANCING ACTIVITIES:   |                   |                   |
| Net borrowings (repayments) on line-of-credit   | (18,791)          | 84,740            |
| Principal paid on long-term debt  | (66,324)          | (58,146)          |
| Gifts restricted for long-term purposes   | 99,037            | 120,597           |
|   | <u>13,922</u>     | <u>147,191</u>    |
| Net cash provided by financing activities   |                   |                   |
| Net increase in cash and cash equivalents   | 52,803            | 255,876           |
| Cash and cash equivalents, beginning of year  | 464,990           | 209,114           |
| Cash and cash equivalents, end of year  | <u>\$ 517,793</u> | <u>\$ 464,990</u> |
| SUPPLEMENTAL DISCLOSURE   |                   |                   |
| Interest paid   | <u>\$ 18,028</u>  | <u>\$ 17,725</u>  |

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



**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Rutherford County Area Habitat for Humanity, Inc., is a not-for-profit organization, chartered by the State of Tennessee, and is an affiliate of Habitat for Humanity International headquartered in Americus, Georgia. The purpose of the Organization is to provide simple, decent, affordable homes for sale to low income families. Homes are sold at no profit and are financed with non-interest bearing mortgages. The Organization also operates a ReStore which receives donated used building materials and appliances and then resells them to the general public.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The financial statements have been prepared in accordance with standards of accounting and financial reporting under Accounting Standards Codification (ASC) 958, *Not for Profit Entities*. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions of Services and Materials

Contributed materials used for home building are reflected as contributions in the financial statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for contributed services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have contributed significant amount of their time in the Organization's program services.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. The building is depreciated using the straight-line method over an estimated life of thirty-nine years. The remaining assets are depreciated using the straight-line method over three to seven year estimated life.

ReStore Materials

Consistent with policies used by other Habitat agencies, used materials donated to the Restore are not valued in inventory since they are deemed to have no determinable value until sold.

Transfers to Homeowners

Transfers to homeowners include material costs, lot costs and other direct costs associated with properties that were transferred to homeowners during the year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Mortgages and Notes Receivable

Rutherford County Area Habitat for Humanity, Inc., sells homes to qualifying families and provides interest free mortgages ranging from twenty to thirty years. The qualifying families are required to contribute "sweat equity" during the construction phase and then they qualify to purchase the home. Mortgage payments net of insurance and taxes, are applied to reduce the mortgage.

The allowance for doubtful loans is maintained at a level that, in management's judgment, is adequate to absorb loan losses. This determination is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for potential loan losses in the period in which they become known. In addition, the net realizable value of property serving as collateral for delinquent loans will be assessed on an annual basis. Due to the nature of the relationship with its borrowers, the Organization is willing to make accommodations with borrowers whose payments are not current, so long as such accommodations do not jeopardize the interests of the Organization's mission.

A loan is considered impaired when, based upon current information and events, it is probable that the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans are classified as delinquent when payments of principal and interest are over 90 days overdue.

Functional Allocation of Expenses

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

Concentration of Credit Risk

The Organization's credit risk relates to cash and cash equivalents. The Organization maintains several bank accounts at two banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at one of these institutions exceeds federally insured limits from time to time.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Events Occurring After Reporting Date

Rutherford County Area Habitat for Humanity, Inc. has evaluated events and transactions that occurred between June 30, 2014 and October 29, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE 2 - CASH EQUIVALENTS/RESTRICTED CASH**

Habitat held \$28,622 and \$75,977 June 30, 2014 and 2013, respectively, in a separate escrow account used to pay for homeowner property taxes and insurance.

**NOTE 3 - MORTGAGES RECEIVABLE**

Mortgages receivable are summarized as follows:

|                           |    | 2014                | 2013                |
|---------------------------|----|---------------------|---------------------|
| Homes with mortgages      | 73 | \$ 2,775,529        | \$ 2,708,807        |
| Less unamortized discount |    | <u>(1,514,942)</u>  | <u>(1,441,926)</u>  |
|                           |    | <u>\$ 1,260,587</u> | <u>\$ 1,266,881</u> |

The discount is computed using rates varying from 7.39% to 8.5% based upon the original amount of the note. Habitat also holds a second mortgage on each home that is not reflected above. This mortgage represents the difference between market value and purchase price of the home. This mortgage would only be collected if the family sold the property. Habitat holds a right of first refusal on each property.

A loan is considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16), when based on current information and events, it is probable that the Organization will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Based on this standard, management has concluded that none of its loans are impaired.

The Organization makes mortgage loans in accordance with its stated mission. As such, the Organization has credit exposure in the residential real estate market. No provision for mortgage loan losses has been made.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 3 - MORTGAGES RECEIVABLE (CONTINUED)**

Credit Quality Indicators

Credit risk profile by internally assigned grade (excluding unamortized discount):

|                |                     |
|----------------|---------------------|
| Performing     | \$ 2,353,816        |
| Non performing | 421,713             |
|                | <u>\$ 2,775,529</u> |

Age Analysis of Past Due Loans (excluding unamortized discount):

|                        |                     |
|------------------------|---------------------|
| 30 - 59 days past due  | \$ 453,893          |
| 60 - 90 days past due  | 46,159              |
| 91 - 120 days past due | 22,331              |
| Over 120 days past due | 353,223             |
| Current                | 1,899,923           |
|                        | <u>\$ 2,775,529</u> |

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of June 30, 2014 are summarized as follows:

|                                     |                  |
|-------------------------------------|------------------|
| Corporate donors                    | \$ 52,139        |
| Less discounts to net present value | -                |
|                                     | <u>\$ 52,139</u> |

The net amounts are classified in the statements of financial position as follows:

|                     |                  |
|---------------------|------------------|
| Current portion     | \$ 39,769        |
| Non-current portion | 12,370           |
| Total               | <u>\$ 52,139</u> |

The current portion represents the face value of contributions collectible within the next fiscal year. The non-current portion represents the present value of amounts due after one year. The non-current portion has been discounted using a 3.25% annual interest rate to estimate present value, however the current discount is determined to be insignificant and has not been calculated. This rate is used in all subsequent periods to update the estimated present value of this pledge as follows:

|                          |                  |
|--------------------------|------------------|
| Due in one to five years | <u>\$ 12,370</u> |
|--------------------------|------------------|

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment is as follows:

|                                | <b>2014</b>              | <b>2013</b>              |
|--------------------------------|--------------------------|--------------------------|
| Vehicles                       | \$ 42,299                | \$ 7,300                 |
| Office furniture and equipment | 68,206                   | 67,044                   |
| Building                       | 868,347                  | 868,347                  |
|                                | <u>978,852</u>           | <u>942,691</u>           |
| Less accumulated depreciation  | 268,510                  | 231,941                  |
|                                | <u>710,342</u>           | <u>710,750</u>           |
| Land                           | 227,235                  | 227,235                  |
|                                | <u><u>\$ 937,577</u></u> | <u><u>\$ 937,985</u></u> |

**NOTE 6 - TRANSACTIONS WITH HABITAT INTERNATIONAL**

Habitat voluntarily remits a portion of its cash contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$6,000 and \$6,000 to Habitat International for the years ended June 30, 2014 and 2013, respectively.

Habitat remitted \$5,000 in 2014 in accordance with Habitat International in accordance with the U.S. Stewardship and Organizational Sustainability Initiative.

**NOTE 7 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets of each June 30 are available for the following purposes:

|                              | <b>2014</b>              | <b>2013</b>              |
|------------------------------|--------------------------|--------------------------|
| Building Rutherford Campaign | \$ 52,139                | \$ 80,583                |
| NRI projects                 | 45,000                   | -                        |
| Home sponsorships            | 10,000                   | 30,000                   |
|                              | <u><u>\$ 107,139</u></u> | <u><u>\$ 110,583</u></u> |

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 8 - LINES OF CREDIT**

The Organization has two lines-of-credit with two banks for \$375,000 and \$100,000, respectively. The first line is secured by the mortgage notes receivables and money market accounts and matures November 17, 2014. The interest rate on the line at June 30, 2014 was 3%. The unused portion at June 30, 2014 is \$154,001. The second line is unsecured, used for ReStore inventory purchases, and matures September 6, 2015. The interest rate on the line at June 30, 2014 was 6.25%. The unused portion at June 30, 2014 is \$70,701.

**NOTE 9 - LONG TERM DEBT**

Long term debt is composed of the following:

|  | 2014              | 2013              |
|--|-------------------|-------------------|
| Note payable to bank; fixed interest rate of 0%; monthly payments of \$5,230 through maturity date of April 23, 2018.<br>The note is secured by real estate. | \$ 864,114        | \$ 930,438        |
| Less current portion   | <u>62,757</u>     | <u>62,757</u>     |
|  | <u>\$ 801,357</u> | <u>\$ 867,681</u> |

Aggregate maturities of long-term debt are as follows:

| <u>Year ending June 30,</u> |                   |
|-----------------------------|-------------------|
| 2015                        | \$ 62,757         |
| 2016                        | 62,757            |
| 2017                        | 62,757            |
| 2018                        | 613,086           |
|                             | <u>\$ 801,357</u> |

**NOTE 10 - 401K PLAN**

The Organization has a 401k plan that covers all eligible employees who have reached age 21 and have completed one year of service. Participating employees may contribute up to 96% of compensation to the plan, subject to IRS limits. The Organization makes a discretionary matching contribution determined annually. For the year ending June 30, 2014 participating employee deferrals were matched 50% up to 3% of eligible compensation. For the year ended June 30, 2014 and 2013 matching contributions were \$4,762 and \$5,717, respectively.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 11 - RELATED PARTY**

During the year, the Organization purchased building materials from a company owned by a board member. Purchases from this company totaled \$40,720. This company also made in-kind contributions of building materials which have been included in these financial statements.

**NOTE 12 - CONTINGENCY**

During the year, the Organization sold two first mortgages to Tennessee Housing Development Agency (THDA) for \$131,442. The Organization continues to service these mortgages, collecting principal and escrow payments from the homeowners in exchange for a nominal monthly fee that is withheld from monthly mortgage payments submitted to THDA. The Organization guarantees payment of the mortgages to THDA for the homeowners. In the event the homeowner defaults on their mortgage, THDA assigns the deed of trust back to the Organization, who would then be able to initiate foreclosure proceedings. Twenty mortgages totaling \$1,126,149 are serviced under this arrangement.

Due to the Organization's continued involvement with the sold receivables as a servicer of the mortgages, Habitat management has further considered the servicing asset obtained by the Organization in accordance with ASC 860, *Transfers and Servicing*. Habitat management does not believe that the servicing asset resulting from the sale of mortgages has material value. Accordingly, no servicing assets have been recognized in the accompanying financial statements at June 30, 2014 and 2013.