

**RUTHERFORD COUNTY AREA  
HABITAT FOR HUMANITY, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED JUNE 30, 2015 AND 2014**

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HABITAT FOR HUMANITY, INC.  
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# ***Tim Montgomery, CPA PLLC***

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Rutherford County Area Habitat for Humanity, Inc. which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. The financial statements for 2014 were audited by other auditors whose report dated October 29, 2014, expressed an unmodified opinion on those 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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 presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Opinion

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

*Tim Montgomery, CPA PLLC*

Murfreesboro, Tennessee  
September 21, 2015

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 479,083	\$ 517,793
Accounts receivable	5,469	10,574
Warehouse inventory	17,809	38,601
Construction in process/lots held	702,395	817,030
Contributions receivable currently due, net	30,000	39,769
Current portion of mortgages	<u>190,729</u>	<u>179,590</u>
Total current assets	<u>1,425,485</u>	<u>1,603,357</u>
Property and equipment, net	<u>1,109,076</u>	<u>937,577</u>
<b>OTHER ASSETS</b>		
Mortgages receivable - long-term portion	1,190,808	1,080,997
Non-current contributions receivable, net	-	12,370
Other assets	<u>1,938</u>	<u>2,643</u>
Total other assets	<u>1,192,746</u>	<u>1,096,010</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,727,307</u></u>	<u><u>\$ 3,636,944</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	300,683	250,298
Accounts payable	25,119	2,812
Escrow funds held	19,335	26,195
Other accrued expenses	<u>10,264</u>	<u>5,482</u>
Total current liabilities	<u>418,158</u>	<u>347,544</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current portion of mortgage note payable	<u>738,464</u>	<u>801,357</u>
<b>NET ASSETS</b>		
Unrestricted	2,516,516	2,380,904
Temporarily restricted	<u>54,169</u>	<u>107,139</u>
Total net assets	<u>2,570,685</u>	<u>2,488,043</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,727,307</u></u>	<u><u>\$ 3,636,944</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, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>SUPPORT AND REVENUE:</b>		
Grants/contributions	\$ 365,170	\$ 398,910
Transfers to homeowners	767,181	476,953
Mortgage discount amortization	101,727	85,422
Contributions of land, materials, labor	144,931	69,074
Interest income	445	680
ReStore income	385,124	486,913
Other income	64,474	59,327
Net assets released from restrictions	<u>82,970</u>	<u>74,037</u>
 Total unrestricted support and revenue	 <u>1,912,022</u>	 <u>1,651,316</u>
 <b>EXPENSES:</b>		
Program services:		
Construction	1,279,136	975,727
ReStore	278,035	386,389
Fundraising	78,291	19,023
General and administrative	<u>140,948</u>	<u>128,662</u>
 Total expenses	 <u>1,776,410</u>	 <u>1,509,801</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 <u>135,612</u>	 <u>141,515</u>
 <b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Grants and contributions	30,000	70,593
Net assets released from restrictions	<u>(82,970)</u>	<u>(74,037)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>(52,970)</u>	 <u>(3,444)</u>
 CHANGES IN NET ASSETS	 82,642	 138,071
 NET ASSETS, BEGINNING OF YEAR	 <u>2,488,043</u>	 <u>2,349,972</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 2,570,685</u></u>	 <u><u>\$ 2,488,043</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, 2015 AND 2014**

	2015					2014				
	Program		General and		Total	Program		General and		Total
	Construction	ReStore	Fundraising	Administrative		Construction	ReStore	Fundraising	Administrative	
Construction materials and supplies	\$ 730,422	\$ -	\$ -	\$ -	\$ 730,422	\$ 538,880	\$ -	\$ -	\$ -	\$ 538,880
Payroll and related costs	219,731	115,717	70,726	68,434	474,608	200,989	154,153	10,041	63,923	429,106
Mortgage discount	240,153	-	-	-	240,153	158,438	-	-	-	158,438
ReStore costs of sales	-	86,642	-	-	86,642	-	153,192	-	-	153,192
Depreciation and amortization	5,440	30,398	2,076	3,613	41,527	4,883	27,285	1,864	3,243	37,275
Insurance	24,600	14,350	820	1,230	41,000	30,072	17,542	1,002	1,504	50,120
Utilities	3,467	19,374	1,323	2,303	26,467	3,154	17,623	1,203	2,095	24,075
Office supplies	88	-	-	18,019	18,107	85	1,850	-	17,009	18,944
Habitat International tithes and contributions	8,000	-	-	10,000	18,000	6,000	-	-	5,000	11,000
Interest	1,947	10,878	743	1,293	14,861	2,155	12,042	823	1,431	16,451
Miscellaneous	11,944	-	-	-	11,944	8,791	1,089	-	1,714	11,594
Contract labor	-	-	-	11,540	11,540	175	-	-	10,513	10,688
Training	10,801	68	-	-	10,869	3,832	675	-	26	4,533
Community events	6,810	-	2,603	-	9,413	1,599	-	4,090	-	5,689
Tools	8,377	-	-	-	8,377	12,784	-	-	-	12,784
Repair and maintenance	79	608	-	6,499	7,186	80	839	-	8,736	9,655
Accounting and legal	-	-	-	6,919	6,919	-	-	-	6,000	6,000
Dues and fees	542	-	-	5,663	6,205	306	-	-	4,240	4,546
Rental expenses	5,206	-	-	-	5,206	-	-	-	-	-
Bank charges	-	-	-	3,214	3,214	-	-	-	2,001	2,001
Meetings and travel	1,529	-	-	470	1,999	2,284	99	-	1,227	3,610
Advertising	-	-	-	1,751	1,751	1,220	-	-	-	1,220
<b>Total expenses</b>	<b>\$ 1,279,136</b>	<b>\$ 278,035</b>	<b>\$ 78,291</b>	<b>\$ 140,948</b>	<b>\$ 1,776,410</b>	<b>\$ 975,727</b>	<b>\$ 386,389</b>	<b>\$ 19,023</b>	<b>\$ 128,662</b>	<b>\$ 1,509,801</b>

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, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 82,642	\$ 138,071
Depreciation and amortization	41,000	37,275
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gifts restricted for long-term purposes	(30,000)	(70,593)
In kind donation of property and equipment	(11,500)	-
Decrease in warehouse inventory	20,792	32,789
Decrease in grants/accounts receivable	5,105	2,408
Increase in construction in process/lots held	(80,916)	(13,023)
(Increase) decrease in mortgages receivable	(120,950)	6,294
Increase (decrease) in accounts payable	22,307	(6,064)
Decrease in escrow liability	(6,860)	(49,754)
Increase (decrease) in accrued expenses	4,782	(2,360)
Net cash provided by (used in) operating activities	<u>(73,598)</u>	<u>75,043</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(5,270)</u>	<u>(36,162)</u>
Net cash used in investing activities	<u>(5,270)</u>	<u>(36,162)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings (repayments) on line-of-credit	50,385	(18,791)
Principal paid on long-term debt	(62,893)	(66,324)
Gifts restricted for long-term purposes	<u>52,139</u>	<u>99,037</u>
Net cash provided by financing activities	<u>39,631</u>	<u>13,922</u>
Net increase (decrease) in cash and cash equivalents	(39,237)	52,803
Cash and cash equivalents, beginning of year	<u>517,793</u>	<u>464,990</u>
Cash and cash equivalents, end of year	<u><u>\$ 478,556</u></u>	<u><u>\$ 517,793</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<u><u>\$ 18,107</u></u>	<u><u>\$ 18,028</u></u>
<b>NON-CASH TRANSACTIONS</b>		
Construction in process/lots held transferred to property and equipment	<u><u>\$ 195,551</u></u>	<u><u>\$ -</u></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, 2015 AND 2014**

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

Rutherford County Area Habitat for Humanity, Inc. ("Habitat" or "Organization"), is a not-for-profit organization, chartered by the State of Tennessee, and is the local affiliate of Habitat for Humanity International ("HFHI") 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, appliances, and other items 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, 2015 AND 2014**

**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 amounts 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. Buildings and improvements, including rental property, are depreciated using the straight-line method over an estimated life ranging from ten to 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, 2015 AND 2014**

**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.

Income Taxes

Habitat is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. The Organization does not believe that during the fiscal years ended June 30, 2015 and 2014 that it had unrelated business income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Organization files Federal Form 990 in the United States. Federal Forms 990 filed before June 30, 2012 are no longer subject to examination.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

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

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.

Events Occurring After Reporting Date

Rutherford County Area Habitat for Humanity, Inc. has evaluated events and transactions that occurred between June 30, 2015 and September 21, 2015, 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 \$19,583 and \$28,622 June 30, 2015 and 2014, respectively, in a separate escrow account used to pay for homeowner property taxes and insurance.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 3 - MORTGAGES RECEIVABLE**

Mortgages receivable as of each June 30 are summarized as follows:

		2015	2014
Homes with mortgages	87	\$ 3,026,941	\$ 2,775,529
Less unamortized discount		(1,645,404)	(1,514,942)
		<u>\$ 1,381,537</u>	<u>\$ 1,260,587</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.

Credit Quality Indicators

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

Performing	\$ 2,567,039
Non performing	459,902
	<u>\$ 3,026,941</u>

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

30 - 59 days past due	\$ 159,398
60 - 90 days past due	18,128
91 - 120 days past due	69,895
Over 120 days past due	390,007
Current	2,389,513
	<u>\$ 3,026,941</u>

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of June 30, 2015 are summarized as follows:

Corporate donors	\$ 30,000
Less discount to net present value	-
	<u>\$ 30,000</u>

The amounts due from donors are expected to be collected within the fiscal year end 2016.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment as of each June 30 is as follows:

	<b>2015</b>	<b>2014</b>
Vehicles	\$ 42,299	\$ 42,299
Office furniture and equipment	79,706	68,206
Rental property	195,551	-
Building	<u>873,617</u>	<u>868,347</u>
	1,191,173	978,852
Less accumulated depreciation	<u>309,332</u>	<u>268,510</u>
	881,841	710,342
Land	<u>227,235</u>	<u>227,235</u>
	<u>\$ 1,109,076</u>	<u>\$ 937,577</u>

**NOTE 6 - TRANSACTIONS WITH HABITAT INTERNATIONAL**

Habitat voluntarily remits a portion of its cash contributions to HFHI. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$8,000 and \$6,000 to HFHI for the years ended June 30, 2015 and 2014, respectively.

Habitat remitted \$10,000 and \$5,000 in 2015 and 2014, respectively, to HFHI in accordance with the U.S. Stewardship and Organizational Sustainability Initiative.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 7 - RESTRICTIONS ON NET ASSETS**

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

	<b>2015</b>	<b>2014</b>
Pledges receivable	\$ 30,000	\$ 52,139
NRI projects	24,169	45,000
Home sponsorships	-	10,000
	<u>\$ 54,169</u>	<u>\$ 107,139</u>

**NOTE 8 - LINES OF CREDIT**

The Organization has two lines-of-credit with a bank for \$300,000 and \$100,000, respectively. The first line is secured by the mortgage notes receivables and deeds of trust and matures June 18, 2017. The interest rate on the line at June 30, 2015 was 5%. The unused portion at June 30, 2015 is \$21,907. The second line is unsecured, used for ReStore inventory purchases, and matures December 5, 2016. The interest rate on the line at June 30, 2015 was 6.25%. The unused portion at June 30, 2015 is \$77,410.

**NOTE 9 - LONG TERM DEBT**

Long term debt is composed of the following:

	<b>2015</b>	<b>2014</b>
Note payable to bank; fixed interest rate of 0%; monthly payments of \$5,230 through maturity date of April 23, 2018. The note is secured by real estate.	\$ 801,221	\$ 864,114
Less current portion	<u>62,757</u>	<u>62,757</u>
	<u>\$ 738,464</u>	<u>\$ 801,357</u>

Aggregate maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	
2016	\$ 62,757
2017	62,757
2018	675,707
	<u>\$ 801,221</u>

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**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, 2015 participating employee deferrals were matched 50% up to 3% of eligible compensation. For the year ended June 30, 2015 and 2014 matching contributions were \$5,383 and \$4,762, respectively.

**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 \$37,927. 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 \$159,000. 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-one mortgages totaling \$1,171,179 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, 2015 and 2014.