

WARREN COUNTY HABITAT FOR HUMANITY, INC.

(A Nonprofit Corporation)

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2015

Warren County Habitat for Humanity, Inc.
(A Nonprofit Corporation)
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Frederick Butcher & Company

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To the Trustees and Board of Directors
Warren County Habitat for Humanity, Inc.
31 Belvidere Ave.
Washington, New Jersey 07882

INDEPENDENT AUDITORS' REPORT

Ladies and Gentlemen:

We have audited the accompanying financial statements of Warren County Habitat for Humanity, Inc. (a nonprofit 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 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 circum-

stances, 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.

Basis for Qualified Opinion

Warren County Habitat for Humanity, Inc.'s inventory is carried at \$72,975 on the balance sheet at June 30, 2015. We were unable to obtain sufficient appropriate audit evidence about the carrying value of inventory as of June 30, 2015. The Organization maintains an inventory list however we did not observe a physical inventory count.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Warren County Habitat for Humanity, Inc. (a nonprofit organization) as of June 30, 2015, and results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,



Frederick Butcher & Company

Blairstown, NJ 07825-0284
November 2, 2015

Warren County Habitat for Humanity, Inc.
(A Nonprofit Corporation)
Statement of Activities & Changes in Net Assets
Year Ended June 30, 2015

Revenues, Gains & Unrestricted Support:	
Contributions – Note #7	\$ 394,452
Special event income, net	22,650
Thrift store sales, net	23,282
ReStore sales, net	348,302
Rental income	1,424
Interest income	106
Mortgage interest discount amortization	<u>11,982</u>
Total revenues, gains & unrestricted support	<u>802,198</u>
Expenses:	
Functional expenses – Page #11	
Program expenses	586,675
General & administrative expenses	51,398
Fundraising expenses	<u>22,370</u>
Total functional expenses	<u>660,443</u>
Depreciation expense – Note #2	<u>13,046</u>
Total expenses	<u>673,489</u>
Excess of revenues over expenses	128,709
Net assets at beginning of year	<u>984,069</u>
Net assets at end of year	<u>\$1,112,778</u>

See independent auditors' report and notes to financial statements.

Warren County Habitat for Humanity, Inc.

(A Non-Profit Corporation)

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities:	
Excess of revenues over expenses – Page #3	\$ <u>128,709</u>
Adjustments to reconcile net revenues to net cash provided by operating activities:	
Depreciation – Note #1 & #2	13,046
Decrease in mortgages receivable	13,371
Decrease in inventory	4,275
Increase in construction in progress	(125,609)
Increase in deposits & other assets	(2,450)
Decrease in accounts payable	(49)
Increase in sales tax payable	<u>1,182</u>
Total adjustments	<u>(96,234)</u>
Net cash provided by operating activities	32,475
Net increase in cash	32,475
Cash & cash equivalents - beginning of year	<u>91,558</u>
Cash & cash equivalents - end of year	<u>\$ 124,033</u>

Supplemental Disclosures

Interest paid	\$ 0
Income taxes paid	0

See independent auditors' report and notes to financial statements.

Warren County Habitat for Humanity, Inc.
(A Nonprofit Corporation)
Statement of Financial Position
As of June 30, 2015

Assets

Assets:	
Cash & cash equivalents – Note #1	\$ 124,033
Mortgages -	
Mortgages receivable – Note #5	595,582
Unamortized discount on mortgages – Note #6	<u>(372,518)</u>
Mortgages receivable – net	223,064
Inventory – Note #3	72,975
Property and equipment, net – Note #1 & #2	352,860
Construction in progress – Note #4	336,644
Deposits and other assets	<u>13,294</u>
Total assets	<u>\$1,122,870</u>

Liabilities and Net Assets

Liabilities:	
Accounts payable	\$ 7,119
Sales tax payable	<u>2,973</u>
Total liabilities	<u>10,092</u>
Unrestricted Net Assets – Page #3	<u>1,112,778</u>
Total liabilities and net assets	<u>\$1,122,870</u>

See independent auditors' report and notes to financial statements.

Warren County Habitat for Humanity
(A Nonprofit Corporation)

Notes to Financial Statements

June 30, 2015

#1. Summary of Significant Accounting Policies

Nature of Operations:

Warren County Habitat for Humanity, Inc. (WCHFH) is the Warren County, N. J. affiliate of Habitat for Humanity International. WCHFH works through cooperative volunteer partnerships with families and individuals in the local community who build affordable housing for families in need.

Revenue and Cost Recognition:

The Organization receives substantial donated services, material & supplies. Amounts received for such expenses have a corresponding amount recorded as unrestricted support.

Property and Equipment:

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful life of the following assets:

Garage, building & building improvements	39 years
Building tools, computers, office equipment	3 years

Maintenance and repairs are charged to expense as incurred. Major betterments which extend service life are capitalized.

Income Taxes:

The Organization is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2012, 2013, and 2014 are subject to examination by the Internal Revenue Service which is generally the rule for the three years after they have been filed. Tax returns have all been filed. Currently there are no returns under audit.

Use of Estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported revenues and expenses during the period. Actual results could differ from the estimates that were used in preparing the financial statements.

Warren County Habitat for Humanity, Inc.
(A Nonprofit Corporation)

Notes to Financial Statements (Continued)

June 30, 2015

#1. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows:

The statement of cash flows is prepared in accordance with SFAS #95, using the indirect method to calculate cash flows from operations. The Organization considers cash and cash equivalents as cash. Cash equivalents include time deposits, certificates of deposit, and any highly liquid debt instruments that qualify as current.

Advertising Expense:

Advertising costs are expensed in the period paid. There are no prepaid costs or benefits to future periods. The advertising expense for the period is \$3,406.

Donated Services & Material:

A substantial number of volunteers have donated significant amounts of time to the Organization's program services and to its fund raising campaigns. No amounts have been recognized in the statement of activities since time donated by volunteers does not fall into the criteria established by the FASB in this area. Time donated to the Organization was 10,014 hours for the year ended June 30, 2015.

Donated materials are recorded at fair value on the date of donation. The Organization records donated skilled and professional services at fair market value.

#2. Property and Equipment

Property and equipment consist of the following:

Land	\$ 48,070
Building	182,734
Building improvements	165,628
Garage	10,010
	4,248
Building tools	4,613
Computers & office equipment	<u>13,632</u>
Total assets	428,935
Less: Accumulated depreciation	<u>(76,075)</u>
Property and equipment (net)	<u>\$352,860</u>

Depreciation expense for the year ended June 30, 2015 was \$13,046.

Warren County Habitat for Humanity, Inc.
(A Nonprofit Corporation)

Notes to Financial Statements (Continued)

June 30, 2015

#3. Inventory

WCHFH maintains a thrift store at its central office. Goods available for sale consist of donated items. Inventory is recorded at fair market value of the donated items. As of June 30, 2015, inventory was \$6,000. WCHFH also operates a second thrift store. Goods available for sale consist of donated items and certain items purchased at significant discounts. As of June 30, 2015 inventory was \$66,975.

#4. Construction in Progress

As of June 30, 2015, the Organization was in the process of building a number of properties. The construction in progress was as follows:

Independence Township property – Water St.	\$142,623
Phillipsburg property – South Main St.	41,358
Washington property - Pleasant Valley Rd.	56,188
Washington property - Meadow Breeze Lane	4
Phillipsburg property - Mercer St.	68,773
Port Colden property – Lock St.	26,029
Phillipsburg property – Hanover St.	382
Washington property – Washington Ave.	<u>1,287</u>
Total	<u>\$336,644</u>

#5. Mortgages Receivable

The mortgage receivable balance at June 30, 2015 consists of 9 loans on properties sold to various families. The loans are non interest bearing loans with original maturities of 30 years. The balance receivable for these loans was \$595,582 at June 30, 2015.

The amount of principal that will be collected on the above mortgages is approximately \$24,009 per year for each of the next five years.

#6. Discount on Mortgages Receivable

The Organization accounts for their mortgages in accordance with the Habitat for Humanity International's U. S. Affiliate Accounting Policy Manual. Under this guide the non interest bearing mortgages are discounted to their present value at the time the mortgage is issued. The discounted amount is amortized over the life of the mortgage using International's imputed interest rate.

Warren County Habitat for Humanity, Inc.
(A Nonprofit Corporation)

Notes to Financial Statements (Continued)
June 30, 2015

#6. Discount on Mortgages Receivable (Continued)

The following reflects the activity in the related accounts for the year ended June 30, 2015:

Unamortized Discount on Mortgages:

Balance at June 30, 2014	\$384,500
Mortgage discount amortization for 2015	<u>(11,982)</u>
Balance at June 30, 2015	<u>\$372,518</u>

#7. Donated Goods, Services & Property

The value of skilled and professional service included as contributions in the statement of activities for the year ended June 30, 2015 is as follows:

Donated services	\$213,926
Donated goods	<u>19,273</u>
Total donated goods & services	<u>\$233,199</u>

#8. Rent Expense

The Organization leases commercial property for its ReStore. Rent expense for the year ended June 30, 2015 is \$74,500. Future minimum lease payments required under the current lease are:

June 30, 2016	\$ 90,000
June 30, 2017	<u>67,500</u>
	<u>\$157,500</u>

#9. Related Party Transactions

The Organization is affiliated with a parent corporation, Habitat for Humanity International. During the year ended June 30, 2015, the Organization incurred dues to the parent Corporation of \$20,896.

#10. Subsequent Events Evaluation Date

The Organization evaluated the events and transactions subsequent to its June 30, 2015 statement of financial position in accordance with FASB ASC 855-10-15. Subsequent events through November 2, 2015 were evaluated, the date which financial statements were available to be issued.

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To the Trustees and Board of Directors
Warren County Habitat for Humanity, Inc.
31 Belvidere Ave.
Washington, New Jersey 07882

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

We have audited the financial statements of Warren County Habitat for Humanity, Inc. (a nonprofit corporation) for the year ended June 30, 2015, and have issued our report thereon dated November 2, 2015, which contained a qualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole.

The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Frederick Butcher & Company

Blairstown, NJ 07825-0284
November 2, 2015

Warren County Habitat for Humanity, Inc.
(A Nonprofit Corporation)

Schedule of Supplementary Information – Statement of Functional Expenses
Year Ended June 30, 2015

	Program	General & Admin.	Fundraising	Total
	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>
Wages	\$148,123	\$25,441	\$ 19,619	\$193,183
Worker compensation insurance	6,579	1,130	871	8,580
Insurance	13,765	1,530	0	15,295
Hope in the Hills expense	5,851	0	0	5,851
Rent	74,500	0	0	74,500
Repairs & maintenance	1,911	1,788	0	3,699
Tithe	20,896	0	0	20,896
Donated goods, service & property	233,198	0	0	233,198
Donation pick up costs	4,310	0	0	4,310
Food & lodging	2,738	0	0	2,738
Employment taxes	13,852	3,073	1,880	18,805
Professional fees	8,407	4,900	0	13,307
Training costs	4,450	0	0	4,450
Telephone & fax	2,441	3,239	0	5,680
ReStore annex expenses	7,406	0	0	7,406
Computer expenses	0	1,095	0	1,095
Other expenses	8,481	2,716	0	11,197
Supplies	2,936	0	0	2,936
Postage & freight	0	1,242	0	1,242
Bank fees	7,435	149	0	7,584
Office expenses	0	2,049	0	2,049
Advertising	3,406	0	0	3,406
Utilities	<u>15,990</u>	<u>3,046</u>	<u>0</u>	<u>19,036</u>
Total expenses	<u>\$586,675</u>	<u>\$51,398</u>	<u>\$ 22,370</u>	<u>\$660,443</u>

See independent auditor's report on supplementary information and notes to financial statements.

