Habitat for Humanity of Palm Beach County, Inc.

Financial Statements
For the Years Ended June 30, 2015 and 2014

Habitat for Humanity of Palm Beach County, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Palm Beach County, Inc.
West Palm Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Palm Beach County, Inc. (a not-for-profit organization) (the "Organization") which comprise the statements of financial position as of June 30, 2015 and 2014, 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 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.

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Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance, as required by the Florida Single Audit Act, is presented for 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation's internal control over financial reporting and compliance.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 25, 2015

FINANCIAL STATEMENTS

Habitat for Humanity of Palm Beach County, Inc.
Statements of Financial Position
June 30, 2015 and 2014

		2015		2014
Assets:				
Cash and cash equivalents	$	674,449	$	889,041
Unconditional promises to give, net		2,097,223		184,636
Accounts receivable		38,834		15,372
Grants receivable		244,868		92,189
Mortgage notes receivable, net		4,347,677		3,769,965
Prepaids and other assets		29,425		50,939
Construction in progress		1,080,940		1,264,395
Inventory, land		230,035		123,789
Homes held for resale		64,471		111,443
Property and equipment, net		1,600,182		1,650,597
Total assets	$	10,408,104	$	8,152,366
Liabilities:				
Accounts payable	$	219,423	$	59,263
Accrued expenses		200,839		136,151
Contingent interest rate swap agreement liability (Note 9)		88,162		96,514
Escrow deposits		294,681		222,046
Debt		5,104,645		4,160,234
Total liabilities		5,907,750		4,674,208
Commitments and Contingencies (Note 10)		-		-
Net Assets:				
Unrestricted		2,320,353		3,041,142
Temporarily restricted		2,180,001		437,016
Total net assets		4,500,354		3,478,158
Total liabilities and net assets	$	10,408,104	$	8,152,366

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

Habitat for Humanity of Palm Beach County, Inc.
Statement of Activities
For the Years Ended June 30, 2015 and 2014

	2015	2014
Unrestricted Net Assets:		
Support:		
Sale of donated merchandise	$ 2,149,102	$ 1,866,650
Contributions	516,015	626,465
In-kind contributions	187,036	233,584
Governmental grants	519,622	92,189
Special events	322,570	262,326
Total support	3,694,345	3,081,214
Revenue:		
Program service revenue:		
Homes sold, net of mortgage discounts of $ 1,091,873 and $ 931,451 in 2015 and 2014, respectively	735,865	640,549
Discount amortization	263,645	218,116
Other	30,874	49,069
Gain on disposition of property and equipment	7,000	-
Interest income	436	198
Total revenue	1,037,820	907,932
Satisfaction of program restrictions releasing temporarily restricted net assets	605,496	374,149
Total support, revenue and release of temporarily restricted net assets	5,337,661	4,363,295
Expenses:		
Program services	3,581,228	3,146,552
Supporting services:		
Restore	1,136,421	871,819
Management and general	500,524	433,939
Thrift store	314,272	276,714
Fundraising and development	526,005	527,884
Total supporting services	2,477,222	2,110,356
Total expenses	6,058,450	5,256,908
Change in unrestricted net assets	(720,789)	(893,613)
Temporarily Restricted Net Assets:		
Contributions	2,348,481	770,815
Write-down of donated land to realizable value (Note 7)	-	(85,219)
Net assets released from donor restrictions	(605,496)	(374,149)
Change in temporarily restricted net assets	1,742,985	311,447
Change in net assets	1,022,196	(582,166)
Net Assets, July 1	3,478,158	4,060,324
Net Assets, June 30	$ 4,500,354	$ 3,478,158

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

Habitat for Humanity of Palm Beach County, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2015

		Supporting Services					
	Program Services	Restore	Management and General	Thrift Store	Fundraising and Development	Total Supporting Services	Total
Personnel Costs:							
Salaries and contractors	$ 622,676	$ 519,237	$ 354,153	$ 160,155	$ 205,154	$ 1,238,699	$ 1,861,375
Employee benefits and taxes	123,153	108,049	44,719	44,582	31,095	228,445	351,598
Subtotal	745,829	627,286	398,872	204,737	236,249	1,467,144	2,212,973
Other Expenses:							
Home construction costs	2,279,299	-	-	-	-	-	2,279,299
Office expense	107,308	48,446	13,975	17,413	33,296	113,130	220,438
Professional fees	145,353	1,944	22,096	413	11,461	35,914	181,267
Promotional	2,941	68,844	-	5,018	66,577	140,439	143,380
Insurance expense	62,467	38,445	16,611	10,981	10,607	76,644	139,111
Interest	65,438	46,721	15	12,181	-	58,917	124,355
Rent	21,978	65,077	14,065	1,011	9,176	89,329	111,307
Fundraising expense	-	-	-	-	106,192	106,192	106,192
Repairs and maintenance	28,355	52,863	8,847	9,069	6,324	77,103	105,458
Contracted services	18,411	61,472	-	6,233	10,473	78,178	96,589
Travel	27,026	20,736	3,202	6,651	4,420	35,009	62,035
Utilities	6,311	28,983	2,867	11,347	1,905	45,102	51,413
Telephone	16,404	13,561	8,358	6,064	6,224	34,207	50,611
Volunteer and education expense	27,489	1,964	3,599	690	2,400	8,653	36,142
Miscellaneous	1,544	1,677	268	294	19,208	21,447	22,991
Taxes and licenses	8,079	4,738	51	1,421	360	6,570	14,649
Allowance for uncollectible accounts	7,867	-	-	-	-	-	7,867
Tithe and contribution	4,100	-	-	-	-	-	4,100
Subtotal	2,830,370	455,471	93,954	88,786	288,623	926,834	3,757,204
Total expenses before provision for depreciation	3,576,199	1,082,757	492,826	293,523	524,872	2,393,978	5,970,177
Provision for depreciation	5,029	53,664	7,698	20,749	1,133	83,244	88,273
Total expenses	$ 3,581,228	$ 1,136,421	$ 500,524	$ 314,272	$ 526,005	$ 2,477,222	$ 6,058,450

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

Habitat for Humanity of Palm Beach County, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2014

	Program Services	Supporting Services: Restore	Supporting Services: Management and General	Supporting Services: Thrift Store	Supporting Services: Fundraising and Development	Total Supporting Services	Total
Personnel Costs:							
Salaries and contractors	$ 589,932	$ 429,216	$ 295,754	$ 134,986	$ 104,015	$ 963,971	$ 1,553,903
Employee benefits and taxes	109,654	106,063	43,202	34,612	20,361	204,238	313,892
Subtotal	699,586	535,279	338,956	169,598	124,376	1,168,209	1,867,795
Other Expenses:							
Home construction costs	2,073,987	-	-	-	-	-	2,073,987
Professional fees	51,372	685	20,265	2,365	171,716	195,031	246,403
Office expense	67,620	74,992	15,632	11,327	28,707	130,658	198,278
Insurance expense	80,201	28,660	21,223	12,847	13,087	75,817	156,018
Fundraising expense	-	-	-	-	119,782	119,782	119,782
Repairs and maintenance	25,819	33,828	7,618	13,893	9,840	65,179	90,998
Interest	35,000	41,313	-	14,160	-	55,473	90,473
Promotional	5,292	20,539	210	6,073	37,232	64,054	69,346
Rent	20,902	5,347	12,191	1,306	7,838	26,682	47,584
Travel	19,323	18,287	2,002	6,108	257	26,654	45,977
Utilities	4,565	24,815	2,479	11,384	1,594	40,272	44,837
Telephone	9,571	10,555	3,961	4,486	2,175	21,177	30,748
Miscellaneous	210	22,854	111	1,327	4,994	29,286	29,496
Volunteer/education expense	19,111	1,374	2,441	366	1,602	5,783	24,894
Taxes and licenses	10,535	4,467	108	1,320	350	6,245	16,780
Allowance for uncollectible accounts	7,301	-	-	-	-	-	7,301
Tithe and contribution	4,100	-	-	-	-	-	4,100
Subtotal	2,434,909	287,716	88,241	86,962	399,174	862,093	3,297,002
Total expenses before provision for depreciation	3,134,495	822,995	427,197	256,560	523,550	2,030,302	5,164,797
Provision for depreciation	12,057	48,824	6,742	20,154	4,334	80,054	92,111
Total expenses	$ 3,146,552	$ 871,819	$ 433,939	$ 276,714	$ 527,884	$ 2,110,356	$ 5,256,908

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

Habitat for Humanity of Palm Beach County, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	$ 1,022,196	$ (582,166)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for depreciation	88,273	92,111
Provision for uncollectible accounts	7,877	58,223
Provision for amortization of prepaid interest on mortgages sold	6,035	4,292
Provision for amortization of mortgage discount	(263,645)	(218,116)
Construction in progress conveyed in exchange for mortgage receivables	(747,032)	(606,049)
Reduction of mortgage discount due to mortgage being retired pre-term	-	(29,141)
Contributed property and equipment	-	(12,200)
Gain on disposal of property and equipment	(7,000)	-
Changes in assets and liabilities:		
(Increase) decrease in unconditional promises to give	(1,912,587)	(92,302)
(Increase) decrease in accounts receivable	(23,462)	7,333
(Increase) decrease in grant receivables	(152,679)	(92,189)
(Increase) decrease in prepaids and other assets	21,514	(11,552)
(Increase) decrease in inventory, land	(106,246)	7,124
(Increase) decrease in construction in progress	183,455	398,823
(Increase) decrease in homes held for resale	-	307,230
Increase (decrease) in accounts payable	160,160	(65,639)
Increase (decrease) in accrued expenses	64,688	(22,718)
Increase (decrease) in contingent interest rate swap agreement liability	(8,352)	(13,364)
Increase (decrease) in escrow deposits and other payables	72,635	5,014
Net cash used in operating activities	(1,594,170)	(865,286)
Cash Flows from Investing Activities:		
Payments received on mortgage receivables	472,060	398,694
Proceeds from sale of property and equipment	7,000	-
Purchases of property and equipment	(37,858)	(11,961)
Net cash provided by investing activities	441,202	386,733
Cash Flows from Financing Activities:		
Proceeds from debt	1,259,502	1,563,103
Repayments on debt	(321,126)	(828,949)
Net cash provided by financing activities	938,376	734,154
Net increase (decrease) in cash and cash equivalents	(214,592)	255,601
Cash and Cash Equivalents, beginning of the year	889,041	633,440
Cash and Cash Equivalents, end of the year	$ 674,449	$ 889,041

Note 1 - Organization and Operations

Habitat for Humanity of Palm Beach County, Inc. (the "Organization") was founded in October 1986 as a nonprofit ecumenical Christian housing ministry affiliated with Habitat for Humanity International, Inc., an organization with affiliates worldwide that seeks to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action. Through volunteer labor and donations of money and materials, the Organization builds simple decent houses with the help of low-income homeowner families. The Organization focuses its efforts in areas of West Palm Beach, Jupiter and western communities in the Glades area, Florida. The Organization also operates a thrift store and a restore. The proceeds from these stores go towards the funding of the Organization's homebuilding efforts.

The houses built by the Organization and its volunteers are sold to partner families at no profit, financed with affordable, no-interest loans. The homeowner's monthly mortgage payments go into a revolving fund that is used to build more houses. In addition to a down payment and the monthly mortgage payment, each homeowner family invests hundreds of hours of their own labor into the building of their house as well as the houses of others.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statement to the reader.

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

Basis of presentation: The Organization follows the recommendation of the Financial Accounting Standards Board (FASB) standards of accounting and financial reporting for not-for-profit organizations. Under the Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities; Presentation of Financial Statements*, net assets and revenues, expenses, gains, and losses are classified depending on the existence and/or nature of any donor-imposed restrictions. Accordingly, the Organization reports information regarding its financial position and activities based on three classes of net assets as follows:

Unrestricted net assets - net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. The Organization had temporarily restricted net assets of $ 2,180,001 and $ 437,016 at June 30, 2015 and 2014, respectively (Note 12).

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will be permanently restricted. The Organization had no permanently restricted net assets at June 30, 2015 and 2014.

Note 2 - Summary of Significant Accounting Policies (continued)

Use of estimates: The presentation of the financial statements in conformity with generally accepted accounting principles 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: For purposes of the financial statements, the Organization considers all liquid investments having initial maturities of three (3) months or less to be cash equivalents. The Organization may at times maintain balances with financial institutions in excess of federally insured amounts.

Investments: Investments are measured at fair value in the statements of financial position based on publicly quoted prices or other means.

Land, finished homes and construction in progress: Land for construction, finished homes and construction in progress are carried at cost or at market value when acquired by gift. Donated land is written down to realizable value. Construction in progress represents the accumulated costs of houses under construction and land improvements. Based on current market appraisals, the Organization recorded no impairment loss on construction in progress for the year ended June 30, 2015 and June 30, 2014. No depreciation is charged against these assets as they are being held for resale.

Property and equipment: Property and equipment are carried at cost if purchased or, if donated, at fair value on the date of donation, less accumulated depreciation. The Organization follows the policy of providing for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Buildings and improvements	7-40 years
Furniture and fixtures	5 years
Vehicles	5 years
Machinery and equipment	5 years
Software	5 years
Leasehold improvements	4 years

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized in amounts equal to or greater than $ 5,000.

Restricted and unrestricted revenue and support: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donated goods to the thrift stores are recorded when sold.

Note 2 - Summary of Significant Accounting Policies (continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Promises to give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Uncollectible promises to give are expected to be insignificant based on historical experience and management believes no allowance for uncollectible promises to give is considered necessary. As of June 30, 2015 and 2014, the Organization had $ 2,097,223 and $ 184,636, respectively, in unconditional promises to give and no conditional promises to give.

Functional expenses: Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses.

Date of management review: Subsequent events have been evaluated by management through October 25, 2015, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, the Organization provides certain disclosures based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. ASC No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical asset or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investments.

Note 3 - Fair Value Measurements (continued)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table represents the investments included in cash equivalents as held by the Organization at June 30, 2015 and 2014:

	Level 1	Level 2	Level 3	Total 2015
ASSET CLASS:				
Money Market Funds	$ 26,318	$ -	$ -	$ 26,318
Total	$ 26,318	$ -	$ -	$ 26,318

	Level 1	Level 2	Level 3	Total 2014
ASSET CLASS:				
Money Market Funds	$ 26,350	$ -	$ -	$ 26,350
Total	$ 26,350	$ -	$ -	$ 26,350

Note 4 - Donations of Assets, Materials and Services

Donated assets are valued at the estimated fair-market value at the date of receipt. Donated services are recognized as revenue only if the service requires specific expertise and is provided by professionals. Volunteers have also donated significant amounts of time in building the houses; however, such services have not been recognized as revenue. During the year ended June 30, 2015, the Organization recorded $ 187,036 in donated materials and professional services, and during the year ended June 30, 2014, the Organization recorded $ 85,219 in donated land and $ 233,584 in donated materials and professional services.

Note 5 - Mortgage Notes Receivable

When the Organization sells a home, it accepts two installment notes in return. The first is an interest-free monthly installment note generally issued to recover the costs of construction for a term of 15 to 30 years with principal payments due monthly.

The second note is a trust deed. It is interest-free and for a similar term of years as the first note. It is issued to ensure that the homeowner will not transfer, sell or assign their title of interest in the property or to cease to occupy the property within a relatively short period of time. The second note is forgiven upon repayment of the first note. The second note and its resulting contingent gain are not recorded on either the statements of financial position or the statements of activities. An estimate of the gain on the second trust deed cannot be made. It is unlikely that any gain will be realized.

The mortgage notes receivable are recorded at the face amount less the unamortized discount. The discount rate for June 30, 2015 and 2014 is 7.51% and 7.58%, respectively. The Organization has recorded an allowance for doubtful accounts of $ 66,090 and $ 58,223 for the years ended June 30, 2015 and 2014, respectively.

Note 5 - Mortgage Notes Receivable (continued)

The outstanding balances are as follows:

		2015		2014
Mortgage notes	$	10,948,956	$	9,563,743
Unamortized discounts		(6,535,189)		(5,735,555)
Allowance for uncollectible accounts		(66,090)		(58,223)
	$	4,347,677	$	3,769,965

The discounts are amortized over its corresponding mortgage note term and are included in program service revenue in the financial statements.

Note 6 - Construction in Progress

Construction in progress of $ 1,080,940 and $ 1,264,395 for the years ended June 30, 2015 and 2014 respectively, represents the accumulated cost of houses under construction and land improvements less amounts recorded to reduce properties to realizable value. At June 30, 2015 and 2014, houses under construction consisted of the direct material and labor cost incurred were sixteen and twenty-one, respectively. Upon completion of construction, the houses will be sold to prequalified families who have invested hours of their own labor into the construction of the houses.

Note 7 - Land Inventory

At June 30, 2015 and 2014, land inventory was valued at $ 230,035 and $ 123,789 respectively. This inventory includes purchased parcels of land to be used for future construction of homes. Land inventory is reduced when parcels are sold or when construction begins and the parcels are transferred to construction in progress. Donated land is tracked by lot numbers but is written down to realizable value in the financial statements because the Organization does not include the value of the land in the purchase price for their clients in order to make housing affordable for low-income families.

Note 8 - Property and Equipment

Property and equipment used in operations consists of the following:

		2015		2014
Buildings and improvements	$	1,908,893	$	1,908,893
Vehicles		148,636		148,636
Land		75,000		75,000
Furniture and fixtures		20,037		14,686
Machinery and equipment		23,387		14,367
Leasehold improvements		20,805		10,218
Software		5,703		5,703
Less accumulated depreciation		(602,279)		(526,906)
Total property and equipment used in operations	$	1,600,182	$	1,650,597

Note 8 - Property and Equipment (continued)

Depreciation expense for the years ended June 30, 2015 and 2014 totaled $ 88,273 and $ 92,111, respectively.

Note 9 - Debt

Debt consists of the following:

	2015	2014
Mortgage payable to Bank of America secured by real property. It provides for a variable interest rate based on LIBOR plus 2.25% (2.43% at June 30, 2015) payable in monthly principal and interest installments with principal amounts ranging from $ 2,652 to $ 3,779 through March 2020.	$ 872,610	$ 905,027
Repurchase agreement payable to Northern Trust. This agreement is payable monthly at $ 3,914 through June 2014 and at lesser amounts thereafter through 2036 (net of unamortized discount of $ 88,449 and $ 94,484 at June 30, 2015 and 2014, respectively) (Note 10).	761,261	807,158
Repurchase agreement payable to Bank of Florida. This agreement is payable monthly at $ 1,931 through June 2028 and at lesser amounts thereafter through 2038 (Note 10).	476,651	501,584
Mortgage payable to PNC Bank secured by real property. It provides for monthly payments of $ 2,571 with a fixed interest rate of 3.99% and matures in May 2022.	184,051	208,096
Mortgage payable to PNC Bank secured by real property. It provides for monthly payments of $ 1,169 with a fixed interest rate of 4.37% and matures in November 2023.	98,998	107,663
Revolving line of credit of $ 536,000 to EverBank secured by residential lots. It provides for monthly payments of interest only at a variable interest rate based on LIBOR plus 2.50% (3.0% at June 30, 2015) and matures in February 2016. The variable interest rate carries a minimum of 3.00% and a maximum of 5.00%.	460,208	231,678

NOTE 9 - DEBT (continued)

	2015	2014
Revolving line of credit of $ 1,535,000 to Iberia Bank secured by residential lots. It provides for monthly payments averaging $ 3,195 in principle and interest at a variable interest rate based on the monthly LIBOR index plus 2.50% (2.69% at June 30, 2015) and matures in November 2015.	1,495,201	1,393,251
Revolving line of credit of $ 1,000,000 to Sabadell Bank secured by residential lots. It provides for monthly payments of interest only at a variable interest rate that is .25% less than the PRIME rate published in the Wall Street Journal (3.00% at June 30, 2015) and matures on February 10, 2016	755,665	5,777
	$ 5,104,645	$ 4,160,234

In conjunction with the $ 872,610 mortgage note payable above, the Organization entered into an interest rate swap agreement effectively converting the variable rate debt to a fixed rate debt. For the principal amount of $ 872,610, the fixed rate being paid to Bank of America is 7.10%. The interest differential is reflected as an adjustment to interest expense as incurred. The fair value (obligation) of the swap is based on a quote obtained from Bank of America, which was quoted at $ (88,162) as of June 30, 2015 and is included on the statement of financial position. This negative value would have been incurred had the Organization elected to close this transaction at June 30, 2015. However, it is management's intention to carry this transaction through maturity.

In connection with this mortgage note payable, the Organization's agreement contains a number of restrictive covenants. Among other provisions, the agreement requires a minimum debt service coverage ratio relative to the cash flow from the Restore operations only of 1.25 times to 1.00. At June 30, 2015, the Organization was in compliance with the minimum debt service coverage ratio.

Future maturities of debt, including the unamortized discount on the repurchase agreement of $ 88,449, are approximately as follows:

Year Ending June 30,	2015
2016	$ 2,853,700
2017	$ 146,600
2018	$ 150,800
2019	$ 155,300
2020	$ 831,200
Thereafter	$ 967,045

Note 10 - Commitments and Contingencies

Repurchase agreements: The Organization entered into repurchase agreements with Northern Trust and Everhome Mortgage Co. (formerly Bank of Florida in 2011) which provided for the sale of certain mortgage receivables with full recourse to the Organization. The agreements contain several provisions including a default clause, where the Organization will repurchase the principal amount of any defaulted mortgage at the same percentage discount used when the mortgage was originally sold to Northern Trust and Bank of Florida.

Lease commitments: The Organization has a non-cancelable operating lease for an office location through June 2021. The lease requires monthly base rent of $ 1,228 for fiscal year 2016 with a 5% escalation on the anniversary of each year until expiration. For the years ended 2015 and 2014, the rent expense for the office space was $ 14,005 and $ 13,080 respectively.

The Organization also has a non-cancelable operating lease for another office location through June 30, 2021. The monthly base rent of $ 2,706 for fiscal year 2016 will increase in accordance with the Consumer Price Index or 5%, whichever is greater. For the years ended 2015 and 2014, the rent expense for the office space was $ 30,924 and $ 29,437, respectively.

During the year the Organization executed a non-cancelable operating lease for another office location through June 30, 2021. The monthly base rent under this lease agreement is $ 1,046 thru March 2016. With an annual increase of 5% or Consumer Price Index, whichever is greater. For the year ended 2015 the rent expense for the office space was $ 3,138. The lease has an option to renew for one year.

During the year, the Organization also entered into a facility lease for a store and education center in Greenacres, Florida. The term of this lease agreement commenced in June 2015 and expires in November 2025. At expiration, the Organization has the option to renew the agreement for two option periods of five years each. The agreement contains monthly rent payments in the amount of $ 23,831 through November 2017 with increased amounts each year thereafter until reaching $ 30,188 during the last year of the agreement. The Organization is also responsible for its pro-rata share of certain operating expenses. Rent expense is recognized on a straight line basis. The difference between the base rent payments made and the amount of rent expense recognized is included in accrued expenses and totaled, in the aggregate, approximately $ 25,327 at June 30, 2015. Rent expense, including its pro-rata share of operating expenses in connection with this agreement totaled approximately $ 56,000 for the year ended June 30, 2015.

The following are approximate future minimum base lease payments, excluding common area maintenance, in connection with the leases in effect at June 30:

Year Ending June 30,		2015
2016	$	226,700
2017	$	372,700
2018	$	333,200
2019	$	369,100
2020	$	381,500
Thereafter	$	1,911,300

Note 11 - Income Taxes

Habitat for Humanity of Palm Beach County, Inc. is a nonprofit organization exempt from tax under Internal Revenue Code Section 501(c)(3); therefore, no tax provision has been made in the accompanying financial statements.

Note 12 - Temporarily Restricted Assets

At June 30, 2015 and 2014, temporarily restricted net assets consisting of cash and cash equivalents and unconditional promises to give are available for the following purposes or periods:

	2015	2014
Cost for construction of homes	$ 82,778	$ 252,380
Unconditional promises to give, time restriction	2,097,223	184,636
	$ 2,180,001	$ 437,016

Note 13 - Supplemental Cash Flow Information

Supplemental disclosure of cash flow information:

	2015	2014
Cash received during the year for - Interest	$ 436	$ 198
Cash paid during the year for - Interest	$ 99,419	$ 103,838

SUPPLEMENTAL INFORMATION

Habitat for Humanity of Palm Beach County, Inc.
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2015

State Agency/Pass-through Entity State Project		CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
State Agency Name:					
Indirect Project:					
State of Florida Department of Economic Oportunity:					
Passed through Habitat for Humanity of Florida, Inc.					
Community Planning	*	40.031	P0055	$ 507,812	$ -
Total Expenditures of State Financial Assistance				$ 507,812	$ -

* Denotes a major project.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance includes the grant activity of Habitat for Humanity of Palm Beach County, Inc. The information in the Schedule of Expenditure of State Financial Assistance is presented in accordance with the requirements of *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Note 2 - Contingency

Grant and contract revenue is subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor/contract agencies would become a liability of Habitat for Humanity of Palm Beach County, Inc. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable state laws and other regulations.

INTERNAL CONTROLS AND COMPLIANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Habitat for Humanity of Palm Beach County, Inc.
West Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Palm Beach County, Inc. (a nonprofit organization) (the "Organization"), 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 year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keefe McCullough
KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 25, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL

To the Board of Directors
Habitat for Humanity of Palm Beach County Inc.
West Palm Beach, Florida

Report on Compliance for Each Major State Project

We have audited Habitat for Humanity of Palm Beach County, Inc.'s (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Organization's state project for the year ended June 30, 2015. The Organization's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. These standards, and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on its major state project for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 25, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Habitat for Humanity of Palm Beach County, Inc.

2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Habitat for Humanity of Palm Beach County, Inc. were disclosed during the audit.

4. No material weaknesses relating to the audit of the major state project are reported in the Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the Auditor General*.

5. The auditor's report on compliance for the state project for Habitat for Humanity of Palm Beach County, Inc. expresses an unmodified opinion.

6. There are no findings relative to the major state project for Habitat for Humanity of Palm Beach County, Inc. reported in Part C of this schedule.

7. The program/project tested as a major program/project is as follows:

State Project:	**CSFA Number**
State of Florida Department of Economic Opportunity - Community Planning	40.031

8. The threshold for distinguishing Type A and Type B programs/projects was $ 300,000 for state projects.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters to be reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AUDITS

No matters to be reported

D. OTHER ISSUES

A separate management letter was not issued because there were no findings required to be reported in the management letter.

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.

No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.