

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity of Evansville, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Evansville, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Evansville, Inc. as of June 30, 2016 and 2015, 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.

Evansville, Indiana
September 27, 2016

Riney Hancock CPAs PSC (handwritten signature)

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash	\$ 2,159,544	\$ 769,535
Promises to give, current	754,900	36,000
Houses available for sale	61,013	65,716
Construction in process	212,375	205,406
Land held for development	438,935	418,113
Mortgages receivable, current	631,204	635,007
Other current assets	<u>15,206</u>	<u>20,166</u>
Total current assets	<u>4,273,177</u>	<u>2,149,943</u>
Other assets:		
Mortgages receivable, net	3,603,215	3,681,713
Investment in joint venture	2,261,379	2,285,149
Promises to give, noncurrent	934,666	156,494
Intangible assets, net	63,883	84,501
Beneficial interest in assets held by others	32,123	34,777
Property and equipment, net	<u>15,737</u>	<u>12,100</u>
Total other assets	<u>6,911,003</u>	<u>6,254,734</u>
Total assets	<u>\$ 11,184,180</u>	<u>\$ 8,404,677</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 6,277	\$ 39,481
Accrued expenses	23,251	50,648
Other current liabilities	<u>870</u>	<u>1,600</u>
Total current liabilities	<u>30,398</u>	<u>91,729</u>
Long-term debt	<u>3,143,108</u>	<u>3,143,108</u>
Total liabilities	<u>3,173,506</u>	<u>3,234,837</u>
Net assets:		
Unrestricted	6,288,985	4,933,222
Temporarily restricted	1,689,566	201,841
Permanently restricted	<u>32,123</u>	<u>34,777</u>
Total net assets	<u>8,010,674</u>	<u>5,169,840</u>
Total liabilities and net assets	<u>\$ 11,184,180</u>	<u>\$ 8,404,677</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted net assets:		
Revenue:		
Sales to homeowners	\$ 548,576	\$ 591,600
Contributions and grants	2,127,402	1,193,684
In-kind donations	67,413	58,015
Mortgage discount amortization	387,030	429,943
Interest	1,181	311
Other income	5,833	4,487
	<hr/>	<hr/>
Total unrestricted revenue	3,137,435	2,278,040
Net assets released from restrictions	75,815	-
	<hr/>	<hr/>
Total unrestricted revenue and other support	3,213,250	2,278,040
	<hr/>	<hr/>
Expenses:		
Program service:		
Construction costs	840,503	912,769
Other program costs	674,971	657,648
General and administrative	138,572	148,203
Fundraising	202,841	188,816
	<hr/>	<hr/>
Total expenses	1,856,887	1,907,436
	<hr/>	<hr/>
Increase in unrestricted net assets	1,356,363	370,604
	<hr/>	<hr/>
Temporarily restricted net assets:		
Contributions	1,563,540	192,494
Net assets released from restrictions	(75,815)	-
	<hr/>	<hr/>
Increase in temporarily restricted net assets	1,487,725	192,494
	<hr/>	<hr/>
Permanently restricted net assets:		
Change in beneficial interest in assets held by others	(3,254)	(1,649)
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Decrease in permanently restricted net assets	(3,254)	(1,649)
	<hr/>	<hr/>
Increase in net assets	2,840,834	561,449
Net assets, beginning of year	5,169,840	4,608,391
	<hr/>	<hr/>
Net assets, end of year	<u>\$ 8,010,674</u>	<u>\$ 5,169,840</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2016 and 2015

	2016				2015			
	Program Service		Fund-raising	Total	Program Service		Fund-raising	Total
	Construction Costs	Other			Construction Costs	Other		
Building costs	\$ 674,955	\$ -	\$ -	\$ 674,955	\$ 747,603	\$ -	\$ -	\$ 747,603
Mortgage discount	-	296,639	-	296,639	-	314,787	-	314,787
Salaries	131,636	120,279	110,372	420,738	132,810	109,764	96,176	401,415
Employee benefits	22,378	14,373	12,499	57,156	22,242	13,564	17,479	62,510
Advertising	-	-	6,055	6,055	-	-	3,791	3,791
Amortization	-	20,618	-	20,618	-	20,617	-	20,617
Bank charges	-	19,352	-	22,520	-	18,895	-	21,349
Depreciation	-	4,900	-	9,923	-	2,312	-	7,312
Insurance	-	4,062	-	5,558	-	3,965	-	4,517
Interest	-	23,775	-	23,775	-	23,775	-	23,775
Miscellaneous	-	12,668	1,067	15,025	-	18,561	1,106	25,124
Mortgage servicing	-	32,969	-	32,969	-	32,352	-	32,352
Office	-	6,434	-	27,270	-	7,381	-	26,664
Payroll taxes	11,534	9,439	8,852	34,640	10,114	8,439	7,305	30,564
Printing & postage	-	9,119	38,111	47,990	-	3,412	47,953	51,792
Professional fees	-	24,010	9,128	44,700	-	9,961	7,257	28,497
Rent	-	23,400	-	33,000	-	22,200	-	31,200
Repairs & maintenance	-	4,620	-	4,620	-	3,451	-	3,451
Special events	-	-	14,228	14,228	-	-	5,640	5,640
Supplies	-	-	1,058	1,058	-	267	-	267
Telephone	-	5,790	-	8,421	-	2,808	-	6,089
Tithe & contributions	-	29,100	-	29,100	-	26,600	-	26,600
Travel & education	-	3,946	1,471	10,954	-	3,791	2,109	13,133
Utilities	-	4,570	-	5,877	-	5,834	-	7,731
Volunteer	-	4,908	-	9,098	-	4,912	-	10,656
	\$ 840,503	\$ 674,971	\$ 202,841	\$ 1,856,887	\$ 912,769	\$ 657,648	\$ 188,816	\$ 1,907,436
		\$ 138,572	\$ -	\$ 1,856,887		\$ 148,203	\$ -	\$ 1,907,436

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 2,840,834	\$ 561,449
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	30,541	27,930
Origination of mortgages	(540,002)	(570,274)
Transfer of homes to Habitat	10,674	26,850
Mortgage discount	296,639	314,787
Mortgage discount amortization	(387,030)	(429,943)
Donated land	(12,500)	-
Donated property and equipment	(2,000)	-
Change in beneficial interest in assets held by others	3,254	1,649
Decrease (increase) in assets:		
Houses available for sale	4,703	(31,020)
Construction in process	(6,969)	(1,726)
Land held for development	(8,322)	(6,018)
Promises to give	(1,497,072)	(192,494)
Other current assets	4,960	(4,370)
Increase (decrease) in liabilities:		
Accounts payable	(33,204)	(5,113)
Accrued expenses	(27,397)	8,510
Other current liabilities	(730)	(800)
 Net cash provided by (used in) operating activities	 676,379	 (300,583)
Cash flows from investing activities:		
Principal collected on mortgages	702,020	763,060
Purchases of property and equipment	(11,560)	-
Distribution from joint venture	23,770	23,771
Transfer to beneficial interest in assets held by others	(600)	(100)
 Net cash provided by investing activities	 713,630	 786,731
 Net increase in cash	 1,390,009	 486,148
Cash, beginning of year	769,535	283,387
 Cash, end of year	 \$ 2,159,544	 \$ 769,535
 Supplemental disclosure of cash flow information:		
Interest paid	\$ 23,775	\$ 23,775

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

1. **Organization and Summary of Significant Accounting Policies**

Nature of Organization

Habitat for Humanity of Evansville, Inc. (Habitat) was founded in 1984 as a not-for-profit organization. Habitat's mission is to build safe, decent and affordable houses with low-income families in partnership with God's people in need in Vanderburgh and Posey counties in Indiana. Habitat is an affiliate of Habitat for Humanity International, Inc. (HFHI), a Christian not-for-profit organization that seeks to eliminate poverty housing from the world and to make decent shelter a matter of conscience and action. Although HFHI assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Habitat builds houses utilizing volunteer labor and donated materials, in addition to paid services and materials. The houses are sold to qualified homebuyers at no profit with non-interest-bearing mortgages. Prospective homeowners must have a need for housing, the ability to pay the mortgage, and are required to participate in the construction of homes.

Basis of Presentation

Habitat reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Houses Available for Sale and Land Held for Development

Houses available for sale represent the cost of homes that Habitat has received from a qualifying family due to foreclosure on the mortgage.

Land held for development is stated at cost and includes land under development, developed lots, and capitalized property taxes and other costs incurred for development. Donated land is recorded as a contribution at the estimated value at the date of receipt. If donors stipulate a time period during which the land must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of land are recorded as unrestricted support.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

1. **Organization and Summary of Significant Accounting Policies, Continued**

Houses Available for Sale and Land Held for Development, Continued

Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable.

Construction In Process

Costs incurred in conjunction with home construction are capitalized as construction in process. Capitalized construction costs are expensed when ownership transfers to the homeowners. Any post-settlement costs are expensed as incurred.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received, net of an allowance for uncollectible amounts. Management utilizes the allowance method of accounting for uncollectible promises to give, based on historical collection experience and current economic conditions. Promises to give are recorded at net realizable value if expected to be collected within one year. Promises to give expected to be collected in more than one year are discounted to the present value of future cash flows using a 1.63% discount rate.

Mortgages Receivable

Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Mortgages have an original maturity of 20 to 25 years and arise in connection with Habitat's home building initiatives. Mortgages are discounted based on prevailing market rates for low income housing at the inception of mortgages, as provided by Habitat for Humanity International, Inc., and range from 7.39% to 9%. Discounts are amortized using the straight-line method over the term of the mortgages.

Management feels no allowance for doubtful accounts is required because Habitat is a secured creditor and the fair market value of the houses generally is in excess of the related mortgage note balances.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

1. **Organization and Summary of Significant Accounting Policies, Continued**

Intangible Assets

The Organization incurred structuring fee costs for the investment in the joint venture and closing costs for the loan to finance the investment in joint venture and construction costs in 2011. The structuring fee is being amortized over seven years and the closing costs are being amortized over fifteen years.

Investment in Joint Venture

Habitat's investment in a joint venture is accounted for on the cost basis since Habitat is not able to influence the operating and financial policies of the joint venture. Accordingly, distributions received from the joint venture are reported as a return of investment.

Beneficial Interest in Assets Held by Others

The beneficial interest in assets held by others, which consists of assets contributed to another organization in which Habitat specified itself as the beneficiary, is carried at fair market value.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Acquisitions of property and equipment in excess of \$500 and with estimated useful lives in excess of one year are capitalized.

Donated furniture and equipment are recorded as contributions at their estimated values at the date of receipt. If donors stipulate a time period during which the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Sales to Homeowners

Revenues are recognized when houses are completed and a signed mortgage is received by Habitat. Sales to homeowners are recorded at the gross mortgage amount plus down payments received.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

1. **Organization and Summary of Significant Accounting Policies, Continued**

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the same reporting period. All other restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or a 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 restrictions.

Donated Services and Materials

Donated services are not recognized as contributions unless the services create or enhance a non-financial asset, require specialized skills which are provided by individuals with those skills, and would otherwise need to be purchased. Habitat recognized \$14,383 and \$8,708 in donated services for the years ended June 30, 2016 and 2015, respectively. However, a substantial number of volunteers donate significant amounts of their time to Habitat, but the value of these services is not reflected in the financial statements, as it does not meet the criteria for recognition.

Donated materials consist primarily of construction materials. Habitat recognized \$38,530 and \$38,427 in donated materials for the years ended June 30, 2016 and 2015, respectively.

Income Taxes

The Organization is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of providing various services 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.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies, Continued

Advertising

Advertising costs are expensed as incurred.

Use of Estimates

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

2. Mortgages Receivable

Mortgages receivable consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Mortgages receivable – current	\$ 631,204	\$ 635,007
Mortgages receivable – long-term	<u>8,566,775</u>	<u>8,735,664</u>
Total mortgages receivable	9,197,979	9,370,671
Less discount to net present value	<u>(4,963,560)</u>	<u>(5,053,951)</u>
Mortgages receivable, net	<u>\$ 4,234,419</u>	<u>\$ 4,316,720</u>

3. Promises to Give

Promises to give consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 754,900	\$ 36,000
Receivable in one to five years	<u>966,416</u>	<u>164,000</u>
Total promises to give	1,721,316	200,000
Less discount to net present value	<u>(31,750)</u>	<u>(7,506)</u>
Promises to give, net	<u>\$ 1,689,566</u>	<u>\$ 192,494</u>

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

4. Investment in Joint Venture

In 2011, Habitat participated in a New Market Tax Credit (NMTC) program. The program provides tax credits over a seven year period to eligible investors for making a qualified low-income community investment. Program compliance requirements include creation of a promissory note and investment in a qualified community development entity (CDE).

Habitat and three other Habitat affiliates formed a joint venture, HFHI-SA Leverage VIII, LLC, to take advantage of NMTC financing. Habitat invested \$2,386,637 for a 25.7% ownership interest and was able to secure a 15 year loan in the amount of \$3,143,108 payable to HFHI-SA NMTC V, LLC (sub-CDE), an affiliate of the joint venture (see Note 8). The loan proceeds are to be used solely for the purpose of constructing and selling qualified homes to low-income residents. Investment in the joint venture was \$2,261,379 and \$2,285,149 at June 30, 2016 and 2015, respectively.

The loan has a put option that will enable HFHI-SA Leverage VIII, LLC to become owner of the sub-CDE. Exercise of the option will effectively extinguish Habitat's outstanding debt owed to the sub-CDE.

5. Intangible Assets

Intangible assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Cost:		
Structuring fee	\$ 118,495	\$ 118,495
Closing costs	55,350	55,350
	<u>173,845</u>	<u>173,845</u>
Accumulated amortization:		
Structuring fee	90,282	73,354
Closing costs	19,680	15,990
	<u>109,962</u>	<u>89,344</u>
Intangible assets, net	<u>\$ 63,883</u>	<u>\$ 84,501</u>

Amortization expense was \$20,618 and \$20,617 for the years ended June 30, 2016 and 2015, respectively. Estimated amortization expense is \$20,617 for each of the years ended June 30, 2017 through 2019, and \$2,033 for the year ended June 30, 2020.

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

6. Beneficial Interest in Assets Held by Others

Habitat contributed funds to the Community Foundation Alliance (CFA) and specified itself as the beneficiary. Income is to be distributed to Habitat for unrestricted purposes and the principal must remain intact for perpetuity. CFA was granted variance power to modify any restriction or condition of the distribution of the funds for any specified charitable purposes or to specified organizations if such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community and area served. The historical cost of the beneficial interest was \$32,550 and \$31,950 at June 30, 2016 and 2015, respectively.

Fair value of the beneficial interest in assets held by others is measured using the fair value of the assets held in the fund as reported by CFA at June 30, 2016 and 2015, respectively. Even though that measurement is based on unadjusted fair values of the fund assets, Habitat considers the measurement of its beneficial interest to be a Level 3 input because Habitat will never receive those assets or have the ability to direct CFA to redeem them.

There have been no changes in valuation techniques and related inputs. Habitat recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

At least annually, management and the Board of Directors review and approve Habitat's fair value measurement policies and procedures and determine if the valuation techniques used in fair value measurements are still appropriate.

The table below presents information about the fair value measurements of the beneficial interest in assets held by others for the year ended June 30:

	<u>2016</u>	<u>2015</u>
Beginning of year	\$ 34,777	\$ 36,326
Contribution of assets to CFA	600	100
Total gains or losses recognized in the change in permanently restricted net assets:		
Change in value	<u>(3,254)</u>	<u>(1,649)</u>
End of year	<u>\$ 32,123</u>	<u>\$ 34,777</u>

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

7. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Cost:		
Office equipment	\$ 46,590	\$ 42,171
Construction equipment	<u>66,794</u>	<u>57,653</u>
	113,384	99,824
Accumulated depreciation	<u>(97,647)</u>	<u>(87,724)</u>
Property and equipment, net	<u>\$ 15,737</u>	<u>\$ 12,100</u>

8. Long-Term Debt

Long term debt consisted of \$3,143,108 due to HFHI-SA NMTC V, LLC, in conjunction with Habitat's participation in NMTC (see Note 4) at June 30, 2016 and 2015. Debt requires interest only payments until June 5, 2018 at .756432%. The loan matures February 24, 2026. The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt has a put option feature that is exercisable March 6, 2018.

9. Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Restricted for special needs modifications	\$ -	\$ 9,347
Time-restricted contributions	<u>1,689,566</u>	<u>192,494</u>
End of year	<u>\$ 1,689,566</u>	<u>\$ 201,841</u>

Net assets released from restrictions for the year ended June 30, 2016 were \$9,347 from program restrictions and \$66,468 from time restrictions. No net assets were released from restrictions for the year ended June 30, 2015.

Permanently restricted net assets consisted of a beneficial interest in assets held by others in the amount of \$32,123 and \$34,777 at June 30, 2016 and 2015, respectively (See Note 6).

HABITAT FOR HUMANITY OF EVANSVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

10. Leases

The Organization leases office and warehouse space under a cancelable operating lease agreement. Total rent expense was \$33,000 and \$31,200 for the years ended June 30, 2016 and 2015, respectively.

11. Retirement Plan

Habitat maintains a Simple IRA defined contribution plan covering substantially all of its employees. Habitat matches employee contributions up to 3% of eligible wages. Total contributions to this plan were \$10,876 and \$10,987 for the years ended June 30, 2016 and 2015.

12. Transactions with Affiliate

Habitat remits a portion of its contributions to HFHI annually. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$21,600 to HFHI for each of the years ended June 30, 2016 and 2015. In addition, Habitat paid HFHI \$7,500 and \$5,000 for operational support for the years ended June 30, 2016 and 2015, respectively. These amounts are included in program services in the statement of activities.

13. Concentrations of Credit Risk

Financial instruments that potentially subject Habitat to credit risk consist principally of cash on deposit at financial institutions, promises to give, and mortgages receivable. Cash in banks may, at times, exceed federal deposit insurance limits. Habitat attempts to minimize this risk by using high-credit quality financial institutions. Promises to give, which represent unsecured support, are periodically reviewed by management for their collectability and an allowance for doubtful accounts is established, as deemed necessary. Mortgages receivable are secured by the property purchased.

14. Subsequent Events

The Organization has evaluated subsequent events through September 27, 2016, the date the financial statements were available to be issued.