

**HABITAT FOR HUMANITY  
OF GREATER NEWBURGH, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2015 and 2014**

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-15



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## INDEPENDENT AUDITOR'S REPORT

To the Officers and Members of the  
Board of Directors  
Habitat for Humanity of Greater Newburgh, Inc.  
Newburgh, New York

We have audited the accompanying financial statements of Habitat for Humanity of Greater Newburgh, Inc., (a non-profit 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 controls 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 Greater Newburgh, Inc. as of June 30, 2015 and 2014 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Nugent & Haeussler, P.C.*

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NUGENT & HAEUSSLER, P.C.

Montgomery, New York  
March 31, 2016

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

NEWBURGH, NEW YORK

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 129,894	\$ 89,730
Investments	0	6,359
Accounts Receivable	72,218	43,797
Pledges Receivable - Current	370,132	239,961
Grants Receivable	0	55,000
Prepaid Expenses	30,259	20,526
Construction in Progress	658,148	1,447,216
Security Deposit	<u>10,786</u>	<u>13,946</u>
TOTAL CURRENT ASSETS	1,271,437	1,916,535
<u>PROPERTY AND EQUIPMENT – NET</u>	1,251,593	1,190,989
<u>OTHER ASSETS</u>		
Pledges Receivable – Non Current	655,945	661,671
Non-Interest Bearing Mortgage Loans	2,388,627	2,106,507
Discount on Non-Interest Bearing Mortgage Loans	<u>(1,023,813)</u>	<u>(864,444)</u>
TOTAL OTHER ASSETS	<u>2,020,759</u>	<u>1,903,734</u>
TOTAL ASSETS	<u>\$4,543,789</u>	<u>\$5,011,258</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 43,111	\$ 114,160
Refundable Advance	524,873	727,258
House Deposits	3,000	11,325
Line of Credit / Flex Line	200,000	208,125
Current Portion of Long-Term Debt	<u>62,214</u>	<u>262,564</u>
TOTAL CURRENT LIABILITIES	833,198	1,323,432
<u>LONG-TERM LIABILITIES</u>		
Long-Term Debt, Net of Current Portion	902,503	914,488
<u>NET ASSETS</u>		
Unrestricted		
Reserve for House Completion	1,881,040	1,252,676
Undesignated	<u>926,048</u>	<u>1,519,662</u>
TOTAL UNRESTRICTED NET ASSETS	2,807,088	2,772,338
Temporarily Restricted	<u>1,000</u>	<u>1,000</u>
TOTAL NET ASSETS	<u>2,808,088</u>	<u>2,773,338</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,543,789</u>	<u>\$5,011,258</u>

See notes to financial statements

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

<u>UNRESTRICTED NET ASSETS</u>	<u>2015</u>	<u>2014</u>
<u>SUPPORT AND REVENUE</u>		
Contributions	\$ 710,782	\$ 644,605
In-Kind Contributions	155,101	313,329
Grants	554,208	309,908
Rental Income	16,310	35,240
ReStore In-Kind Contributions	443,323	0
ReStore Sales	399,972	199,376
Neighborhood Revitalization	280	0
Transfers to Homeowners (Net of Discounts)	685,651	820,920
Mortgage Loan Discount Amortization	84,981	72,173
Interest and Dividend Income	127	152
Other Revenue	791	517
Realized Gain (Loss) on Investment	(235)	0
Unrealized Gain (Loss) on Investment	<u>0</u>	<u>499</u>
TOTAL SUPPORT AND REVENUE	3,051,291	2,396,719
<u>EXPENSES</u>		
Program Services – Home	2,044,621	1,807,969
Program Services - ReStore	693,172	158,831
Supporting Services - Management and General	118,689	137,696
Supporting Services - Fundraising	<u>160,059</u>	<u>218,409</u>
TOTAL EXPENSES	<u>3,016,541</u>	<u>2,322,905</u>
INCREASE IN NET ASSETS	34,750	73,814
NET ASSETS, BEGINNING OF YEAR	<u>2,773,338</u>	<u>2,699,524</u>
NET ASSETS, END OF YEAR	<u>\$2,808,088</u>	<u>\$2,773,338</u>

See notes to financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

	2015				2014	
	Program Services		Supporting Services		Total	Total
	Home	ReStore	Management & General	Fund Raising		
Cost of Goods Sold	\$1,243,788	\$399,972	\$0	\$0	\$1,643,760	\$1,104,005
Payroll	373,234	110,291	59,870	86,491	629,886	564,217
Payroll Taxes	32,420	9,806	5,285	7,449	54,960	50,258
Payroll Services	3,719	61	620	1,130	5,530	5,055
Employee Benefits	59,158	30,822	5,699	9,807	105,486	78,656
Advertising	1,535	5,331	118	708	7,692	1,198
Ameri-Corps/Contract	50,092	7,201	0	0	57,293	43,330
Amortization	0	0	0	0	0	1,886
Bank & Finance Fees	49,728	6,038	12,432	0	68,198	78,419
Depreciation	34,090	12,412	8,523	0	55,025	44,564
Development	7,971	0	2,277	1,139	11,387	35,269
Dues & Subscriptions	19,360	0	0	6,453	25,813	24,302
Events	9,217	0	0	36,870	46,087	38,232
Family Services	2,892	0	0	0	2,892	6,354
Insurance	19,458	883	2,432	2,433	25,206	35,121
Maintenance & Repair	6,206	579	1,552	0	8,337	10,730
Miscellaneous	4,653	0	682	0	5,335	3,814
N.R.I.	6,266	0	0	0	6,266	2,982
Office Expense	39,438	20,226	2,320	4,641	66,625	35,114
Professional Fees	10,255	0	12,780	0	23,035	20,887
Rent	0	63,018	0	0	63,018	63,872
Tithe to HFHI	20,833	0	0	0	20,833	20,803
Travel, Meetings, Etc.	14,206	3,391	1,776	1,776	21,149	12,125
Utilities	19,746	15,129	2,323	1,162	38,360	20,487
Vehicle Expense	6,468	8,012	0	0	14,480	8,382
Volunteer Services	9,888	0	0	0	9,888	12,843
	<u>\$2,044,621</u>	<u>\$693,172</u>	<u>\$118,689</u>	<u>\$160,059</u>	<u>\$3,016,541</u>	<u>\$2,322,905</u>
Percent of total expenses	68%	23%	4%	5%	100%	100%

See notes to financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2015 and 2014

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2015</u>	<u>2014</u>
Increase in Net Assets	\$ 34,750	\$ 73,814
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Issuance of Non-Interest Bearing Mortgage Loans (Current)	\$ (419,500)	\$ (163,273)
Discount on Non-Interest Bearing Mortgage Loans (Current)	244,350	95,101
Change in Non-Interest Bearing Mortgage Loans	137,380	129,773
Mortgage Note Discount Amortization	(84,981)	(72,173)
Unrealized (Gain) Loss on Investments	1,357	(499)
Amortization	0	1,886
Depreciation	55,025	48,458
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(6,573)	(32,294)
Accounts Receivable	(28,421)	(13,865)
Pledges Receivable	(124,445)	19,912
Grant Receivable	55,000	105,000
Construction in Progress	789,068	143,344
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(71,049)	48,064
Refundable Advance	(202,385)	(62,990)
House Deposits	<u>(8,325)</u>	<u>2,200</u>
TOTAL ADJUSTMENTS	<u>336,501</u>	<u>248,644</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	371,251	322,458
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Stock Sales	30,365	0
Stock Donation	(25,275)	(1,123)
Purchase of Long-Term Investment - Dividend Reinvest	(88)	(148)
Purchase of Vehicle	(7,842)	0
Purchase of Leasehold Improvements	(107,787)	0
Purchase of Building	<u>0</u>	<u>(94,634)</u>
NET CASH USED IN INVESTING ACTIVITIES	(110,627)	(95,905)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payments	(220,460)	(240,117)
Proceeds from Borrowing	<u>0</u>	<u>8,125</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(220,460)</u>	<u>(231,992)</u>
 NET INCREASE (DECREASE) IN CASH	40,164	(5,439)
 CASH, BEGINNING OF YEAR	<u>89,730</u>	<u>95,169</u>
 CASH, END OF YEAR	<u>\$ 129,894</u>	<u>\$ 89,730</u>

See notes to financial statements.



HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

This summary of significant accounting policies of Habitat for Humanity of Greater Newburgh, Inc. is presented to assist in understanding the organization's financial statements. The financial statements and notes are representations for the organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and Purpose

Habitat for Humanity of Greater Newburgh, Inc. ("Habitat") (a non-profit corporation) was incorporated on July 27, 1999. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations. The geographic area of Habitat encompasses Eastern Orange County. Presently, Habitat is rebuilding homes in the City of Newburgh.

Status of Organization

Habitat is incorporated as a non-profit corporation in the State of New York. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International, Inc. by the Internal Revenue Service. Donor's contributions are tax deductible under Section 170 of the Internal Revenue Code.

Accrual Basis of Accounting

The financial statements have been prepared using the accrual method of accounting in accordance with generally accepted accounting principles. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

Habitat operates the Habitat for Humanity Restore (the "Re-Store"), a retail operation, where building materials, home goods and furniture items are donated and then sold to the community at a greatly reduced price. Revenue is recognized by Habitat at the time the goods are sold; therefore, no value for the Re-Store inventory is included in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required 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

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.  
(Continued)

Financial Statements Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All 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 purposes 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. At June 30, 2015 and 2014 the organization had \$1,000 in temporarily restricted assets and no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the company uses the indirect method of reporting net cash flows from operating activity, and considers all short-term debt securities purchased with a maturity of 3 months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Property and Equipment

Property and Equipment is recorded at cost. Small tools are expensed.

Depreciation and Amortization

Depreciation of fixed assets are computed under the straight-line method over the useful life of the asset.

Amortization of closing costs are computed under the straight line method over the term of loan.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.  
(Continued)

Advertising

Advertising costs are generally charged to operations in the year incurred and totaled \$7,692 and \$1,198 as of June 30, 2015 and 2014, respectively.

Functional Expenses

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis and presented in The Statement of Functional Expenses. Directly identifiable expenses are charged to program services including home or ReStore and supporting services including management and general or fundraising as applicable. Accordingly, overhead and certain other expenses are allocated to functional categories based on percentages estimated by the organization's management.

Non-Interest Bearing Mortgage Loans

Mortgage loans receivable consists of non-interest bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage.

Pledge Receivables

Pledges receivable are recognized when a donor makes a "promise to give" to Habitat which in substance is unconditional. Pledges receivable are recorded at face value. No allowance for uncollectable accounts was deemed necessary as of June 30, 2015 and June 30, 2014. No accounts were deemed uncollectable and written off to bad debt expense as of June 30, 2015 and June 30, 2014.

Uncertain Tax Positions

Habitat adopted the provisions of FASB ASC 740-10. This standard requires all taxpayers to analyze all material positions they have taken or plan to take in all tax returns that have been filed or should have been filed with all taxing authorities for all years still subject to challenge by those taxing authorities. If the position taken is "more-likely-than-not" to be sustained by the taxing authority on its technical merits and if there is more than a 50% likelihood that the position would be sustained if challenged and considered by the highest court in the relevant jurisdiction, the tax consequences of that position should be reflected in the taxpayer's GAAP financial statements. Using that guidance, Habitat has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2015 and 2014.

Habitat's federal tax return for the years ended June 30, 2011 through June 30, 2014 are subject to examination by applicable taxing authorities. Habitat has evaluated its tax positions for all open tax years, and believes all tax positions taken would be upheld under an examination.

Conveyance to Homeowners

Conveyance of completed projects to qualified homebuyers are recorded at a net sales price of the Fair Market Value at the time of the transference of the project

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

NOTE 2. CONSTRUCTION IN PROGRESS.

Construction in progress of all projects includes all direct costs for land, materials and professional services and the estimated or actual fair market value of donated items such as land, material and professional services. All direct recorded costs of individual projects are transferred to construction costs when the title transfers to the homeowner. The construction in progress account balance is \$658,148 and \$1,447,216 at June 30, 2015 and 2014, respectively.

NOTE 3. PROPERTY AND EQUIPMENT.

The following is a summary of land, building and equipment less accumulated depreciation as of June 30, 2015 and 2014:

	2015	2014
Office Equipment	\$ 20,913	\$ 29,208
Vehicles	43,263	42,081
Leasehold Improvements	107,787	0
Building	1,366,931	1,366,931
	1,538,894	1,438,220
Less: Accumulated Depreciation	287,301	247,231
	<u>\$ 1,251,593</u>	<u>\$1,190,989</u>

NOTE 4. MORTGAGE LOANS RECEIVABLE.

The various mortgage loans receivable consist of non-interest bearing mortgage loans to homeowners which are secured by real estate and payable in monthly installments over the lives of the respective mortgages. These non-interest bearing mortgages are recorded at their net realizable value and have been discounted based upon a 7% rate at the inception of each mortgage. Utilizing the effective interest method, this discount is recognized as interest income over the term of the mortgage. The homeowners' monthly mortgage payments go into a revolving fund for the Organization that is used to build more houses.

In addition, a second lien is placed against the home that is equal to the difference between the cost of construction and the appraised value and/or the difference between the sales price and the mortgage. Repayment of the second lien is only required in the event of a resale or refinance, and is forgiven by 10% a year. All proceeds from a second mortgage realization are recorded as income in the period collected.

Certain funds provided by local governments or institutional investors would be required to be repaid to the donating government or institution in the event the project for which the funds were provided is sold by the homeowner within a specified time period, between 5 and 30 years. These contingent obligations of the homeowners range from \$10,000 to \$65,000 and are documented in the form of silent second and third trust deeds.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

NOTE 5. MORTGAGE LOAN ADMINISTRATION.

Habitat mortgage loans are currently managed by AmeriNational, an experienced loan servicer providing the tasks of payment collection, processing and remittance, delinquency notices, escrow administration, 1098 reporting, and other back-office functions necessary in effectively administering a loan. Habitat records principal payments and escrow deficit payments when received and paid through Amerinational.

NOTE 6. REFUNDABLE ADVANCE.

The County of Orange, Office of Community Development, the U.S. Department of Housing and Urban Development Neighborhood Stabilization Program and the Affordable Housing Corporation have provided funds to the organization for the construction of various projects. These funds were recorded as a refundable advance. These grants will only be repayable by Habitat in the event of non-compliance with any of the provisions of the agreement prior to transfer of the liability to the homeowner at closing. The nature of these grants is not fully realizable until the final recording after the closing and transfer of title to the homeowner.

NOTE 7. HOUSE DEPOSITS.

House deposits are funds received from home buyers prior to closing that are held in escrow and restricted to down payment and/or closing costs on their home sales. As of June 30, 2015 and 2014, Habitat held \$3,000 and \$11,325, respectively in a separate escrow fund account with a corresponding liability.

NOTE 8. FLEX LINE

The organization has a flex line of credit with M&T Bank. As of June 30, 2015 and 2014, the maximum principal amount available is \$200,000 and \$200,000, respectively. As of June 30, 2015 and 2014 there were borrowings of \$200,000 and \$200,000 on this flex line. The bank requires that interest be paid monthly with no predetermined date of principle repayment. The interest rate is determined by the Bank as its prime rate of interest.

NOTE 9. LINE OF CREDIT.

The organization has a line of credit available with M & T Bank. As of June 30, 2015 and 2014, the maximum principal amount available is \$300,000 and \$300,000, respectively. As of June 30, 2015 and 2014 there were borrowings of \$0 and \$8,125 on this line of credit. Repayment terms call for monthly payments of interest only. The bank requires that the line of credit is to have a zero balance due, for at least 30 days in a one year term, last completed on June 9, 2015. The interest rate is determined by the Bank as its prime rate of interest.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

NOTE 10. LONG-TERM DEBT.

Long term debt at June 30, 2015 is as follows:

- A. The mortgage note payable to Salisbury Bank, requires monthly payments of \$5,323 over a five year period (based on a 20 year amortization) with a balloon payment due at the end of five years. The interest rate is 4.875%. The note is secured by the building.
- B. On June 22, 2011 Habitat remediated the assignment of property containing sixteen parcels from Leyland Newburgh Associates, LLC and the assignment of the debt associated with the eight parcels. The debt is as follows
1. Walden Savings Bank (WSB). WSB holds the mortgage note in the amount of \$317,442. As of February 1, 2015, the remaining balance of \$155,442 was converted to a term loan. The note payable requires monthly payments of \$2,884 over a five year period. The interest rate is 4.25%. The note is secured by property in our inventory, specifically 30 E. Parmenter St.
  2. City of Newburgh (CON). CON holds the mortgage in the amount of \$130,000. Interest accrues at a rate of 2% with a balloon payment on May 1, 2016. Upon the sale of each individual parcel, Habitat will pay the principal balance associated with that specific parcel to the City of Newburgh.
- C. On January 5, 2011, debt to Hudson Riverside Equities was assigned to William & Mary Murphy and David & Mary McTamaney and restated in the form of a \$200,000 loan with collateral in 10 parcels of Habitat owned property. The payback term of this note is interest only, of 5%, paid annually on September 1<sup>st</sup>. Upon the sale of each individual parcel, Habitat will pay the principal balance associated with that specific parcel to the individuals.
- D. On September 21, 2011 Habitat remediated the purchase of property from William Clark St. Corp. The property contains six parcels to be rehabilitated by Habitat. William Clark St. Corp. holds the mortgage note in the amount of \$100,000. The payback term of this note is interest only at 6.00% for ten years. Upon the sale of each individual parcel, Habitat has the option to pay the principal balance associated with that specific parcel to William St. Clark Corp. Any and all remaining principal balance that remains after the ten years is due to William Clark St. Corp. on September 21, 2021. On February 7, 2012, the debt of \$100,000 was assigned to Gloria E. and Thomas J. Amodeo.

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
A. Salisbury Bank	\$ 33,459	\$ 608,280	\$ 641,739
B1. Walden Savings Bank	28,755	101,723	130,478
B2. City of Newburgh	0	32,500	32,500
C. Murphy/McTamaney Loan	0	60,000	60,000
D. William Clark St. Corp Loan	0	100,000	100,000
Total	<u>\$ 62,214</u>	<u>\$ 902,503</u>	<u>\$ 964,717</u>

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

NOTE 10. LONG TERM DEBT. (Continued)

Maturity of Long-Term Debt is as follows:

<u>FYE June 30,</u>		<u>FYE June 30,</u>	
2016	\$ 62,214	2021 - 2025	\$ 236,020
2017	151,434	2016 & After	<u>218,767</u>
2018	154,504		<u>\$ 964,717</u>
2019	94,470		
2020	47,308		

NOTE 11. RESERVE FOR HOUSE COMPLETION.

Habitat has reserved \$1,881,040 and \$1,252,676 of unrestricted fund balance for the completion of projects that are currently in progress during the fiscal year 2015 and 2014 respectively. This amount is calculated based on projected completed costs less costs expensed in the current year.

NOTE 12. RESTORE

HHGN receives building materials, home goods and furniture, substantially all of which the organization received as gifts or contributions for the purpose of resale. The materials in the ReStore are deemed to be of value only when, and if, sold. In accordance with ASC 958-605-25-4, Not-for-Profit Entities – Revenue Recognition, the donated inventory is not recorded in the financial statements until the time of sale, when a fair market value is determined and items sold are reflected in the statement of activities. At the time the inventory is sold, the items are recorded as sales with a corresponding recording of an in-kind donation and a cost of goods sold expense.

The purpose of the ReStore is to raise funds to support HHGN programs. Accordingly, expenses of operating the ReStore are reported as a program expense in the statement of functional expenses.

NOTE 13. IN-KIND CONTRIBUTIONS.

Included in in-kind contributions are building materials which have been donated to Habitat for use in the houses which are rehabilitated and contributed services meeting the IRS requirements for recognition in the financial statement. During the fiscal year ended June 30, 2015 and 2014, the value of these in-kind contributions was \$155,101 and \$313,329, respectively.

Included in ReStore in-kind contributions are building materials, home goods and furniture for the purpose of resale. During the fiscal year ended June 30, 2015 the value of these in-kind contributions was \$443,323.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

NOTE 14. RELATED PARTY TRANSACTIONS.

HHGN annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat for Humanity International in the form of a tithe. For the year ended June 30, 2015 and June 30, 2014, Habitat contributed \$20,833 and \$20,803, respectively to Habitat International.

HHGN paid a U.S. Stewardship and Organizational Sustainability fee of \$5,000 to HFHI in this period.

HHGN paid a Supporting Affiliate fee of \$5,000 to Habitat for Humanity of NYS in this period.

NOTE 15. GLOBAL SUPPORT WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

HHGN remits a tithe to HFHI, these funds are used to construct homes in economically depressed areas around the world. HHGN has designated their support to international programs in Ethiopia, Haiti, India, Jordan and Mexico. As of June 30, 2015, the funding provided has enabled us to serve over 91 families internationally. This amount is included as a program service expense in the Statement of Functional Expenses.

NOTE 16. JOINT VENTURE

Beginning in 2007, Habitat entered into a joint development project with Leyland Alliance, LLC. The purpose of the project was to develop twenty-four units in the City of Newburgh. Habitat was responsible for constructing and selling 8 of the total 24 units to be developed. All infrastructure costs associated with the project were to be divided, one-third Habitat's responsibility and two-thirds Leyland Alliance, LLC's responsibility. On June 22, 2011, after months of negotiations, the joint project ended, with Habitat assuming all of Leyland Alliance, LLC's 16 units and the outstanding debt associated with those units. Habitat for Humanity of Greater Newburgh will independently complete the project.

NOTE 17. LEASED FACILITIES

In September of 2014, Habitat entered into a 3 year lease agreement with Brian Jo Lynn Holding Corp. for retail space located at 38 S. Plank Rd., Newburgh NY, 12550. Year 1 and 2 are rented at an annual amount of \$48,000 plus an allocation of taxes & utilities based on square footage. Year 3 of the lease increases base annual rental to \$54,000. Renewal options are available. Brian Jo Lynn Corp. holds a security deposit of \$8,000 stated on the Statement of Financial Position under Security Deposits.

NOTE 18. RESTRICTED FUNDS

During fiscal year 2013, Habitat received a donation of \$1,000 that was restricted to assist homeowners with their deductible amount for their homeownership insurance policies, if there was a policy claim on their insurance plans. These funds are designated as temporarily restricted on the Statement of Financial Position.



HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.  
NEWBURGH, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 and 2014

NOTE 19. RETIREMENT PLANS

The Organization established a 401(k) retirement savings plan (tax deferred annuity) for its Employees. The Organization makes its employees aware of the plan, withholds voluntary contributions from paychecks and remits the contributions to an independent trustee. Each participant may contribute a percentage of his or her eligible compensation on a pretax basis to the plan up to a maximum allowed by the Internal Revenue Code.

NOTE 20. INCOME TAX STATUS

The Organization is classified as a section 501(c) (3) Organization under the Federal Internal Revenue Code. As a result, it has been determined to be exempt from federal and state income taxes other than unrelated business income.

Unrelated business income is the income from a trade or business regularly conducted by an exempt organization and not substantially related to the performance by the organization of its exempt purpose or function, except that the organization uses the profits derived from this activity. Any trade or business is excluded from unrelated business income tax that consists of selling merchandise, substantially all of which the organization received as gifts or contributions, accordingly HHGN is exempt from unrelated business income tax.

The Organization Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2011, 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 21. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 31, 2016, the date which the financial statements were available to be issued.

The organization paid an additional amount of principal in the amount of \$15,000 on the Walden Savings Bank term note that was not anticipated or calculated into the maturity of long term debt schedule.

NOTE 22. RECLASSIFICATIONS

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's financial statements presentation.



# Nugent & Haeussler, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Justin B. Wood, CPA

March 31, 2016

To the Board of Directors of  
Habitat for Humanity of Greater Newburgh, Inc.  
Newburgh, New York

We have audited the financial statements of Habitat for Humanity of Greater Newburgh, Inc. for the year ended June 30, 2015, and have issued our report thereon dated March 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 7, 2015. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Habitat for Humanity of Greater Newburgh, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expenses which is based on the asset's useful life. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 31, 2016.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of Board of Directors and management of Habitat for Humanity of Greater Newburgh, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Nugent & Haeussler, P.C.*

Montgomery, New York



**Nugent & Haeussler, P.C.**  
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March 31, 2016

To the Board of Directors of  
Habitat for Humanity of Greater Newburgh, Inc.  
Newburgh, New York

In planning and performing our audit of the financial statements of Habitat for Humanity of Greater Newburgh, Inc. as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Habitat for Humanity of Greater Newburgh, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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's 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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Nugent & Haeussler, P.C.*

Montgomery, New York