

HABITAT FOR HUMANITY  
NORTHWEST HARRIS COUNTY

FINANCIAL STATEMENTS

June 30, 2015 and 2014

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
June 30, 2015 and 2014



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# KOLKHORST & KOLKHORST

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## Independent Auditors' Report

Board of Directors

Habitat for Humanity Northwest Harris County

We have audited the accompanying financial statements of Habitat for Humanity Northwest Harris County (a nonprofit 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.

### **Auditors' Responsibility**

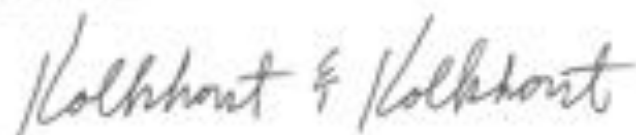
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditors' 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 Northwest Harris County 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.

Handwritten signature in cursive script that reads "Kolkhout & Kolkhout".

Houston, Texas  
September 25, 2015

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
STATEMENTS OF FINANCIAL POSITION

	June 30,	
ASSETS	2015	2014
Cash	\$ 1,327,907	\$ 1,271,108
Mortgage receivable, net	3,124,523	3,021,265
Prepaid expenses	94,181	82,916
Inventory	109,545	10,490
Construction in progress	226,216	245,620
Land held for future construction	522,491	718,766
Furniture, equipment, and leasehold improvements, net	227,005	231,716
Other assets	26,504	-
	5,658,372	5,581,881
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 105,886	\$ 98,220
Accrued liabilities	46,241	65,030
Escrow funds	220,593	286,303
Note payable	284,184	534,235
	656,904	983,788
<b>NET ASSETS</b>		
Unrestricted net assets	5,001,468	4,598,093
	\$ 5,658,372	\$ 5,581,881

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Contributions from donors and foundations	\$ 764,374	\$ -	\$ 764,374
Special events	138,029	-	138,029
In-kind contributions	28,000	-	28,000
Sale of homes, net of discount of \$712,418	321,182	-	321,182
Amortization of mortgage discounts	360,110	-	360,110
Fees and grants from government agencies		-	-
Merchandise sales	2,362,424	-	2,362,424
Deconstruction revenue	776,500	-	776,500
Miscellaneous	<u>33,053</u>	<u>-</u>	<u>33,053</u>
Total public support and revenues	<u>4,783,672</u>	<u>-</u>	<u>4,783,672</u>
Expenses			
Program services	4,094,568	-	4,094,568
Management and general	114,802	-	114,802
Fundraising	<u>170,927</u>	<u>-</u>	<u>170,927</u>
Total expenses	<u>4,380,297</u>	<u>-</u>	<u>4,380,297</u>
Change in net assets	403,375	-	403,375
Net assets, beginning of year	<u>4,598,093</u>	<u>-</u>	<u>4,598,093</u>
Net assets, end of year	<u>\$ 5,001,468</u>	<u>\$ -</u>	<u>\$ 5,001,468</u>

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Contributions from donors and foundations	\$ 816,910	\$ -	\$ 816,910
Special events, net of donor benefit of \$21,705	117,514	-	117,514
In-kind contributions	63,043	-	63,043
Sale of homes, net of discount of \$630,660	410,340	-	410,340
Amortization of mortgage discounts	338,514	-	338,514
Fees and grants from government agencies		-	-
Merchandise sales	1,638,271	-	1,638,271
Deconstruction revenue	560,000	-	560,000
Miscellaneous	12,558	-	12,558
Net assets released from restrictions	23,635	(23,635)	-
	<u>3,980,785</u>	<u>(23,635)</u>	<u>3,957,150</u>
Total public support and revenues			
Expenses			
Program services	3,401,199	-	3,401,199
Management and general	149,383	-	149,383
Fundraising	153,595	-	153,595
	<u>3,704,177</u>	<u>-</u>	<u>3,704,177</u>
Total expenses			
Change in net assets	276,608	(23,635)	252,973
Net assets, beginning of year	4,321,485	23,635	4,345,120
Net assets, end of year	\$ <u>4,598,093</u>	\$ <u>-</u>	\$ <u>4,598,093</u>

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015

	Construction	Restore	Total Program Services	Management and General	Fund Raising	Total
Compensation	\$ 191,521	\$ 629,069	\$ 820,590	\$ 38,915	\$ 116,296	\$ 975,801
Construction costs	984,125	-	984,125	-	-	984,125
Cost of sales	-	56,412	56,412	-	-	56,412
Demolition costs	-	739,060	739,060	-	-	739,060
Depreciation expenses	13,322	48,100	61,422	-	-	61,422
Equipment rental	17,620	22,694	40,314	-	-	40,314
Insurance	12,754	24,864	37,618	9,995	1,196	48,809
Interest	24,363	-	24,363	-	-	24,363
Office expense	3,982	6,129	10,111	5,369	4,947	20,427
Postage	22	-	22	967	1,550	2,539
Printing and newsletters	97	386	483	4,789	10,191	15,463
Professional fees & contract labor	36,911	316,020	352,931	16,317	-	369,248
Project recycling	-	23,861	23,861	-	-	23,861
Public relations	19,816	-	19,816	-	9,909	29,725
Rent	26,541	481,238	507,779	3,792	18,958	530,529
Repairs and maintenance	38,625	37,775	76,400	683	-	77,083
Small tools	5,435	3,224	8,659	-	-	8,659
Supplies	30,249	23,419	53,668	-	-	53,668
Property taxes and interest	17,437	-	17,437	-	-	17,437
Tithe to HFH	44,000	-	44,000	-	-	44,000
Training and education	573	-	573	2,289	1,623	4,485
Travel	6,967	47,198	54,165	5,357	2,736	62,258
Utilities	9,091	85,041	94,132	924	924	95,980
Loss on disposal of assets	11,764	-	11,764	-	-	11,764
Other	16,372	38,491	54,863	25,405	2,597	82,865
Total Expenses	\$ 1,511,587	\$ 2,582,981	\$ 4,094,568	\$ 114,802	\$ 170,927	\$ 4,380,297

See independent auditors' report and accompanying notes to the financial statements



HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
 STATEMENT OF FUNCTIONAL EXPENSES  
 For the year ended June 30, 2014

	Construction	Restore	Total Program Services	Management and General	Fund Raising	Total
Compensation	\$ 203,614	\$ 499,573	\$ 703,187	\$ 24,974	\$ 92,278	\$ 820,439
Construction costs	1,070,177	-	1,070,177	-	-	1,070,177
Cost of sales	-	37,134	37,134	-	-	37,134
Demolition costs	-	472,134	472,134	-	-	472,134
Depreciation expenses	14,048	51,673	65,721	-	-	65,721
Equipment rental	2,246	41,208	43,454	-	-	43,454
Insurance	21,886	52,526	74,412	5,526	4,338	84,276
Interest	41,052	-	41,052	-	-	41,052
Office expense	5,372	5,622	10,994	6,452	4,947	22,393
Postage	-	-	-	1,299	3,031	4,330
Printing and newsletters	-	-	-	507	17,692	18,199
Professional fees & contract labor	2,584	207,928	210,512	60,959	-	271,471
Project recycling	-	13,074	13,074	-	-	13,074
Public relations	-	-	-	-	7,276	7,276
Rent	19,841	268,842	288,683	3,914	14,532	307,129
Repairs and maintenance	30,349	34,019	64,368	380	-	64,748
Small tools	7,089	7,421	14,510	-	-	14,510
Supplies	17,509	21,653	39,162	-	-	39,162
Property taxes and interest	27,781	-	27,781	-	-	27,781
Tithe to HFHI	57,747	13,280	71,027	-	-	71,027
Training and education	378	-	378	161	1,762	2,301
Travel	8,525	52,980	61,505	3,248	3,001	67,754
Utilities	5,788	61,644	67,432	656	1,620	69,708
Gain on disposal of assets	(2,389)	-	(2,389)	-	-	(2,389)
Other	12,328	14,563	26,891	41,307	3,118	71,316
Total Expenses	\$ 1,545,925	\$ 1,855,274	\$ 3,401,199	\$ 149,383	\$ 153,595	\$ 3,704,177

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 403,375	\$ 252,973
Adjustments to reconcile net change in net assets to net cash used by operating activities:		
Depreciation	61,422	65,721
Loss on disposal of assets	11,764	-
Sale of homes	(321,182)	(410,340)
Amortization of discount	(360,110)	(338,514)
Changes in assets and liabilities that provided (used) cash:		
Prepaid expenses	(11,265)	60,395
Inventory	(99,055)	(7,639)
Construction in progress	19,404	16,226
Land held for future construction	196,275	343,582
Accounts payable	7,666	(5,826)
Accrued liabilities	(18,789)	17,450
Escrow funds	(65,710)	(3,679)
Net cash used by operating activities	<u>(176,205)</u>	<u>(9,651)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collections on mortgages receivable	539,764	581,912
Purchase of property and equipment	(56,709)	(91,250)
Net cash provided by investing activities	<u>483,055</u>	<u>490,662</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal repayments made on note payable	(250,051)	(359,852)
Net cash used in financing activities	<u>(250,051)</u>	<u>(359,852)</u>
<b>NET INCREASE IN CASH</b>	56,799	121,159
CASH - beginning of year	<u>1,271,108</u>	<u>1,149,949</u>
CASH - end of year	<u>\$ 1,327,907</u>	<u>\$ 1,271,108</u>
<b>Supplemental disclosures</b>		
Interest paid	\$ 23,859	\$ 41,052

See independent auditors' report and accompanying notes to the financial statements

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity Northwest Harris County (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Business

The Organization was incorporated on February 21, 1989 to encourage, promote, and assist in the building and redevelopment of low-income housing in Cypress-Fairbanks, Klein, Spring, and Tomball school districts. The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make a decent shelter a matter of conscience with people everywhere. Although HFHI assists with information, resources, training, publications and prayer support, the Organization is primarily and directly responsible for its operations.

The Organization's purpose is accomplished through a privately operated and financed program to sell such housing to low-income persons at or below actual cost utilizing non-interest bearing mortgage loans. The Organization expects to finance its operations through continuing contributions and mortgage payment receipts.

The Organization has established the ReStore program to operate a resale store in order to generate additional income and to extend the mission of the Organization by providing low cost donated materials for low income homeowners to repair and improve their houses. The Organization accepts donations of building materials, supplies, furniture and appliances for the store and also receives inventory from deconstructed homes where the donor pays the Organization for deconstruction services and the Organization retains usable items from the deconstructed homes.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents. Included in cash and cash equivalents are homeowners' escrow payments for insurance and real estate taxes and deposits held for future homeowners.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgages Receivable, Net

Mortgages receivable, net represents the amount charged to the homeowner for houses built and secured with real estate that are to be paid back over a mutually established period of time. These mortgages are typically paid back on a monthly basis. Generally, the Organization's mortgages are non-interest-bearing. The mortgage receivable balance has been discounted to reflect the economic value using interest rates ranging from 7.4% to 9% based on prevailing market rates in the year the mortgage was originated. This discount is recognized as income over the life of the mortgage, utilizing the straight-line method.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and mortgages receivable. The Organization places its cash with high credit quality financial institutions. In monitoring this credit risk, the Organization periodically evaluates the stability of the financial institutions. The Organization maintains cash accounts in excess of \$250,000 at a single financial institution. The Federal Deposit Insurance Corporation (FDIC) standard insurance amount is \$250,000 and balances in excess of this amount are subject to risk. The balance in excess of FDIC coverage at June 30, 2015 was \$1,182,311.

Mortgages receivable from homeowners are closely monitored for collectability. The Organization has a formal plan for notifying and working with homeowners that become past due. The Organization commences foreclosure proceedings if a mortgage becomes more than seventy days past due and a mutually acceptable payment plan has not been reached. Management believes no allowance for uncollectible accounts is necessary at June 30, 2015 and 2014.

Inventory

Inventory consists of purchased building materials, furniture, and other merchandise available for sale. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method. Donated inventory is considered not to have value until it is sold.

Construction in Progress

Construction in progress includes direct costs of materials and labor incurred on homes while under the construction phase until the sale of the home to the homeowner is closed.

Land Held for Future Construction

Land held for future construction includes the cost of land and related construction site readiness costs such as concrete, security fencing and landscaping. When homes are completed and the sale of the home to the homeowner has closed, the applicable cost of the lot is reported as construction costs.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Buildings and equipment used in operations are depreciated using the straight-line method based on the estimated useful lives of the assets, generally as follows:

Computers and vehicles	3-5 years
Office equipment & furniture	5-7 years
Warehouse equipment	5-10 years
Leasehold improvements	5 years

Escrow Funds

Homeowner payments are held in escrow for insurance, real estate taxes, and homeowners association dues until remitted to the various vendors.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, the Organization is subject to taxes on unrelated business income. During 2015 and 2014, there was no unrelated business income.

The Organization believes that all significant tax positions utilized will more likely than not be sustained upon examination. As of June 30, 2015, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2012 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as general and administrative expense in the statements of activities.

Net Assets

Information regarding the financial position and activities of the Organization is reported in three categories as follows:

Unrestricted Net Assets - represent expendable funds available for operations which are not otherwise limited by donor restrictions.

Temporarily Restricted Net Assets - consist of contributed funds subject to donor imposed restrictions related to a specific purpose or requiring a specific passage of time before the funds can be spent.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Permanently Restricted Net Assets - are subject to irrevocable donor restrictions requiring the assets be maintained in perpetuity for the purpose of generating investment income to fund current operations. As of June 30, 2015 and 2014, the Organization did not have any permanently restricted net assets.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a restriction is met in the same year as the restricted contribution, the contribution is treated as an unrestricted contribution. Permanently restricted contributions consist of amounts to be held perpetually, based on donor-imposed requirements.

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value. Unconditional promises to give that are expected to be collected after one year or more are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included as contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization reports gifts of goods and services at the fair market value of the donation when a clear objective basis of determining the value is available. A substantial number of volunteers donate significant contributions of their time to the Organization in the areas of administration, fundraising and house construction. The Organization records the fair value of contributed services that require specialized skills and are provided by individuals with those skills and that would otherwise need to be purchased if not provided by donation. The value of the contributed time not meeting these criteria is not reflected in these financial statements.

For the year ended June 30, 2015 the Organization did not receive donated services that required specialized skills. For the year ended 2014, the Organization recorded donated professional services of \$21,169, respectively.

Sale of Homes, Net

Represents the sale of houses built and are recorded at the mortgage amount less down payment provided by government grants and net of the interest discount.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the years ended June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff or other reasonable methods for allocating the Organization's multiple functional expenditures.

Date of Management Evaluation

Subsequent events have been evaluate through September 25, 2015, the date the financial statements were available to be issued. Management is of the opinion there are no subsequent events to disclose.

NOTE B – MORTGAGES RECEIVABLE, NET

Mortgages receivable consist of the following at June 30, 2015 and 2014:

	<u>2015</u>		<u>2014</u>
Receivables due in less than one year \$	506,990	\$	467,545
Receivables due in one to five years	2,534,948		2,282,477
Thereafter	<u>4,063,265</u>		<u>3,894,215</u>
	7,105,203		6,644,237
Discount	<u>(3,980,680)</u>		<u>(3,622,972)</u>
Mortgages receivable, net	<u>\$ 3,124,523</u>	\$	<u>3,021,265</u>

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the years ended June 30, 2015 and 2014

NOTE C – CONSTRUCTION IN PROGRESS

Construction in progress represents building materials and labor on houses. The following is a summary of construction in progress at June 30, 2015 and 2014:

	<u>Number</u>	<u>Cost</u>
Homes under construction, June 30, 2013	9	\$ 261,846
Costs incurred on homes under construction		206,118
New homes started during the year	16	563,176
Homes transferred during the year	<u>(12)</u>	<u>(785,520)</u>
Homes under construction, June 30, 2014	13	245,620
Costs incurred on homes under construction		201,460
New homes started during the year	14	575,713
Homes transferred during the year	<u>(14)</u>	<u>(796,577)</u>
Homes under construction, June 30, 2015	<u>13</u>	<u>\$ 226,216</u>

NOTE D – FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

At June 30, 2015 and 2014, the cost and accumulated depreciation of furniture, equipment and leasehold improvement were as follows:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 52,552	\$ 51,086
Office equipment	33,772	33,772
Warehouse equipment	64,623	64,623
Furniture and fixtures	33,944	42,838
Vehicles	201,177	161,643
Leasehold improvements	<u>86,244</u>	<u>61,639</u>
	472,312	415,601
Accumulated depreciation	<u>(245,307)</u>	<u>(183,885)</u>
	<u>\$ 227,005</u>	<u>\$ 231,716</u>

Depreciation expense for year ended June 30, 2015 and 2014 was \$61,422 and \$65,721 respectively.



HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2015 and 2014

NOTE E – NOTE PAYABLE

Construction loan payable to a bank providing for maximum borrowings of \$2,737,100 bearing interest at 5.3%, due in monthly installments through January 31, 2012 then principal and interest due monthly based on ten year amortization of balance outstanding at January 31, 2012, maturing December 1, 2017 with a balloon payment due at that date. The note is secured by essentially all assets of the Organization. Principal and interest payments for the year ended 2015 were \$250,051 and \$23,859. Future principal payments by fiscal year as of June 30, 2015 are:

<u>Year ending June 30,</u>	
2016	\$ 143,546
2017	140,638
2018	-
2019	-
2020	-
Thereafter	\$ -
	<u>284,184</u>

NOTE F – RELATED PARTIES

HFHI is a charitable 501(c)(3) corporation that donates electrical, paint, and plumbing supplies to the Organization. HFHI is controlled by a Board of Directors separate from that of the Organization; therefore consolidated financial statements are not required. Donations are recorded as in-kind contributions. The amounts recorded during fiscal 2015 and 2014 were \$28,000 and \$41,874, respectively.

In addition, the Organization elects to tithe a portion of its annual contributions (excluding in-kind and restricted contributions) to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2015 and 2014, the Organization contributed \$44,000 and \$71,027 to HFHI, respectively.

The Organization received approximately \$28,865 and \$26,235 in contributions from Board Members in fiscal year 2015 and 2014, respectively.

HABITAT FOR HUMANITY NORTHWEST HARRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2015 and 2014

NOTE G – LEASE COMMITMENTS

The Organization leases office space under an operating lease expiring in 2023 with future commitments by fiscal year as follows:

<u>Year ending June 30,</u>	
2016	\$ 487,892
2017	487,892
2018	497,776
2019	517,532
2020	517,532
Thereafter	<u>1,380,088</u>
	<u>\$ 3,888,712</u>

Rent expense amounted to \$530,529 and \$307,129 for 2015 and 2014, respectively.

NOTE H – LITIGATION AND RISK MANAGEMENT

The organization is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the Organization purchased commercial insurance for claims related to such risks.