

**HABITAT FOR HUMANITY NEW YORK CITY, INC.
AND AFFILIATES**

**Consolidated Financial Statements
For the Years Ended June 30, 2015 and 2014
With Report of Independent Auditors**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES
Consolidated Financial Statements
For the Years Ended June 30, 2015 and 2014

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Habitat for Humanity New York City, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of Habitat for Humanity New York City, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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. 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 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.

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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 consolidated financial position of Habitat for Humanity New York City, Inc. and Affiliates at June 30, 2015 and 2014, and the consolidated changes in their net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mitchell Titus, LLP

December 4, 2015

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Consolidated Statements of Financial Position

As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 4,047,018	\$ 5,247,515
Investments - Note 4	6,141,747	6,050,246
Accounts receivable (net of allowance for bad debts)	62,851	175,266
Contributions receivable—current portion - Note 3	52,235	529,531
Mortgages receivable—current portion (net allowance for bad debts) - Note 5	428,186	451,380
ReStore inventory	190,876	-
Prepaid expenses and other assets	193,957	204,476
Total current assets	<u>11,116,870</u>	<u>12,658,414</u>
<i>Non-current assets</i>		
Restricted cash	2,326,652	3,104,225
Family members' savings plan contributions	73,087	57,153
Homeowners' escrow and reserve funds	26,416	34,579
Investments - Note 4	1,000,000	1,000,000
Contributions receivable—long-term portion - Note 3	26,213	53,775
Mortgages receivable—long-term portion (net of unamortized discount) - Note 5	4,476,066	4,606,781
Projects under development - Note 6	5,676,516	8,557,955
Property and equipment (net of accumulated depreciation and amortization) - Note 7	398,189	224,550
Security deposit	27,887	27,887
Total non-current assets	<u>14,031,026</u>	<u>17,666,905</u>
Total assets	<u><u>\$ 25,147,896</u></u>	<u><u>\$ 30,325,319</u></u>

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

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Consolidated Statement of Financial Position (*continued*)

As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 829,826	\$ 1,431,936
Total current liabilities	<u>829,826</u>	<u>1,431,936</u>
<i>Non-current liabilities</i>		
Deferred revenue - Note 9	712,131	3,191,908
Deferred developer's fee	34,725	269,695
Partnership distribution in excess of equity interest - Note 8	141,340	-
Family members' savings plan contributions	73,087	57,153
Homeowners' escrow and reserve funds	26,416	34,579
Deferred rent - Note 13	36,470	56,746
Total non-current liabilities	<u>1,024,169</u>	<u>3,610,081</u>
Total liabilities	<u>1,853,995</u>	<u>5,042,017</u>
<i>Commitments - Note 13</i>		
<i>Net assets</i>		
<i>Unrestricted</i>		
Board-designated - Note 10	1,000,000	1,000,000
Undesignated	22,212,839	23,534,631
Total unrestricted	23,212,839	24,534,631
<i>Temporarily restricted - Note 11</i>	81,062	748,671
Total net assets	<u>23,293,901</u>	<u>25,283,302</u>
Total liabilities and net assets	<u>\$ 25,147,896</u>	<u>\$ 30,325,319</u>

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

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Consolidated Statement of Activities

For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE AND RECLASSIFICATIONS			
<i>Support</i>			
Contributions (including in-kind contributions of \$307,438 and contributed services of \$42,000)	\$ 2,732,054	\$ 345,196	\$ 3,077,250
Special events (net of benefit-to-donor costs of \$174,832)	308,775	-	308,775
<i>Revenue</i>			
<i>Sale of housing units</i>			
Proceeds from sales	2,836,990	-	2,836,990
Government subsidies - Note 9	2,479,777	-	2,479,777
Developer's fee	234,970	-	234,970
Investment return	57,290	-	57,290
Mortgage discount amortization	378,168	-	378,168
Equity interest in limited partnership - Note 8	360,309	-	360,309
Other income-net	57,063	-	57,063
Total support and revenue	9,445,396	345,196	9,790,592
Net assets released from restrictions - Note 11	1,012,805	(1,012,805)	-
Total support, revenue and reclassifications	10,458,201	(667,609)	9,790,592
EXPENSES			
<i>Program services</i>			
Cost of housing units sold - Note 6	5,258,857	-	5,258,857
Personnel and other expenses	3,976,747	-	3,976,747
Total program services	9,235,604	-	9,235,604
<i>Supporting services</i>			
Management and general	1,306,929	-	1,306,929
Fundraising	1,237,460	-	1,237,460
Total supporting services	2,544,389	-	2,544,389
Total expenses	11,779,993	-	11,779,993
Change in net assets	(1,321,792)	(667,609)	(1,989,401)
Net assets, at beginning of year	24,534,631	748,671	25,283,302
Net assets, at end of year	<u>\$ 23,212,839</u>	<u>\$ 81,062</u>	<u>\$ 23,293,901</u>

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

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Consolidated Statement of Activities

For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT, REVENUE AND RECLASSIFICATIONS			
<i>Support</i>			
Contributions (including in-kind contributions of \$348,785)	\$ 3,199,288	\$ 528,400	\$ 3,727,688
Special events (net of benefit-to-donor costs of \$205,750)	425,141	-	425,141
<i>Revenue</i>			
<i>Sale of housing units</i>			
Proceeds from sales	11,840,282	-	11,840,282
Government subsidies - Note 9	10,814,626	-	10,814,626
Developer's fee	801,323	-	801,323
Investment return	88,108	-	88,108
Mortgage discount amortization	457,878	-	457,878
Other income—net	250,246	-	250,246
Total support and revenue	<u>27,876,892</u>	<u>528,400</u>	<u>28,405,292</u>
Net assets released from restrictions - Note 11	1,649,912	(1,649,912)	-
Total support, revenue and reclassifications	<u>29,526,804</u>	<u>(1,121,512)</u>	<u>28,405,292</u>
EXPENSES			
<i>Program services</i>			
Cost of housing units sold - Note 6	21,404,513	-	21,404,513
Personnel and other expenses	3,362,806	-	3,362,806
Total program services	<u>24,767,319</u>	<u>-</u>	<u>24,767,319</u>
<i>Supporting services</i>			
Management and general	1,630,471	-	1,630,471
Fundraising	1,285,708	-	1,285,708
Total supporting services	<u>2,916,179</u>	<u>-</u>	<u>2,916,179</u>
Total expenses	<u>27,683,498</u>	<u>-</u>	<u>27,683,498</u>
Change in net assets	1,843,306	(1,121,512)	721,794
Net assets, at beginning of year	<u>22,691,325</u>	<u>1,870,183</u>	<u>24,561,508</u>
Net assets, at end of year	<u><u>\$ 24,534,631</u></u>	<u><u>\$ 748,671</u></u>	<u><u>\$ 25,283,302</u></u>

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

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2015

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<i>Cost of housing units sold</i>				
Projects under development	\$ 5,258,857	\$ -	\$ -	\$ 5,258,857
<i>Personnel expenses</i>				
Salaries and wages	1,833,037	505,033	564,346	2,902,416
Payroll taxes and fringe benefits	358,358	150,994	115,208	624,560
Total personnel costs	2,191,395	656,027	679,554	3,526,976
<i>Other expenses</i>				
AmeriCorps/Vista program expenses	106,192	-	1,014	107,206
Professional fees (including contributed services of \$42,000)	142,603	222,436	18,567	383,606
Occupancy costs	147,266	50,976	22,656	220,898
Insurance	75,837	32,243	-	108,080
Office expenses	58,400	46,341	2,622	107,363
Computer maintenance and software	5,791	119,535	96,926	222,252
Advertising	2,647	1,136	2,615	6,398
Staff training and education	31,928	21,740	2,424	56,092
Homeowner education, credit reports	5,872	-	-	5,872
Postage	1,573	9,357	1,305	12,235
Common charges	82,761	26,544	-	109,305
Printing and duplicating	10,471	3,913	6,094	20,478
Special event indirect costs	19,939	-	50,326	70,265
Repairs and maintenance	913,013	752	-	913,765
Telephone	10,143	9,129	-	19,272
Travel and meetings	60,687	13,995	7,798	82,480
Direct mail and newsletters—printing, supplies, postage and delivery	-	-	-	-
	-	-	216,253	216,253
Public relations (including in-kind contributions of promotional materials of \$65,470)	450	-	77,883	78,333
Tithe	75,000	-	-	75,000
Depreciation and amortization	-	66,457	-	66,457
Bad debts expense	-	18,927	-	18,927
HFHI fees	16,700	-	-	16,700
Miscellaneous	18,079	7,421	51,423	76,923
Total other expenses	1,785,352	650,902	557,906	2,994,160
Total expenses	\$ 9,235,604	\$ 1,306,929	\$ 1,237,460	\$ 11,779,993

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

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2014

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<i>Cost of housing units sold</i>				
Projects under development	\$ 21,404,513	\$ -	\$ -	\$ 21,404,513
<i>Personnel expenses</i>				
Salaries and wages	1,272,712	395,581	389,523	2,057,816
Payroll taxes and fringe benefits	228,451	102,277	81,363	412,091
Total personnel costs	1,501,163	497,858	470,886	2,469,907
<i>Other expenses</i>				
AmeriCorps/Vista program expenses	108,628	-	-	108,628
Professional fees	41,988	589,610	34,545	666,143
Occupancy costs	193,498	53,379	-	246,877
Insurance	19,094	19,298	3,025	41,417
Office expenses	44,098	54,921	3,337	102,356
Computer maintenance and software	8,177	85,594	20,647	114,418
Advertising	6,120	1,797	475	8,392
Staff training and education	11,355	9,647	657	21,659
Homeowner education, credit reports	6,143	-	-	6,143
Postage	1,555	5,506	1,674	8,735
Common charges	103,356	37,352	27	140,735
Printing and duplicating	3,120	5,762	439	9,321
Special event indirect costs	2,670	783	301,600	305,053
Repairs and maintenance	1,160,508	-	-	1,160,508
Telephone	7,306	11,869	46	19,221
Travel and meetings	22,974	15,543	527	39,044
Direct mail and newsletters—printing, supplies, postage and delivery	-	-	373,996	373,996
Public relations	380	117	5,642	6,139
Tithe	-	75,000	-	75,000
Depreciation and amortization	-	40,234	-	40,234
Bad debts expense	-	125,000	-	125,000
HFHI fees	108,300	-	-	108,300
Miscellaneous	12,373	1,201	68,185	81,759
Total other expenses	1,861,643	1,132,613	814,822	3,809,078
Total expenses	\$ 24,767,319	\$ 1,630,471	\$ 1,285,708	\$ 27,683,498

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

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,989,401)	\$ 721,794
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operations</i>		
Equity interest in limited partnership	(360,309)	-
Depreciation and amortization	66,457	40,234
Bad debts expense	18,927	125,000
Credit for bad debts	-	(135,458)
In-kind contribution of equipment	(22,413)	(117,241)
Unrealized loss on investments	3,247	7,154
Mortgage discount amortization	(378,168)	(457,878)
<i>Changes in operating assets and liabilities</i>		
Accounts receivable	112,415	(151,993)
Contributions receivable	485,931	1,800,832
Prepaid expenses and other assets	10,519	(49,540)
Family members' savings plan contributions, homeowners' escrow and reserve funds	(7,771)	269,410
Projects under development	2,881,439	17,601,713
ReStore inventory	(190,876)	-
Accounts payable and accrued expenses	(602,110)	814,441
Deferred revenue	(2,479,777)	(10,520,630)
Deferred developer's fee	(234,970)	(801,323)
Family members' savings plan contributions, homeowners' escrow and reserve funds	7,771	(269,410)
Deferred rent	(20,276)	(13,939)
Net cash (used in) provided by operating activities	<u>(2,699,365)</u>	<u>8,863,166</u>
CASH FROM INVESTING ACTIVITIES		
Acquisition of furniture and equipment	(217,683)	(54,572)
Collections on mortgages receivable	532,077	650,331
Distributions received from limited partnership	501,649	-
Purchase of investments	(94,748)	(4,475,500)
Net cash provided by (used in) investing activities	<u>721,295</u>	<u>(3,879,741)</u>
CASH FROM FINANCING ACTIVITIES		
Repayment of loan	-	(4,878,051)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(4,878,051)</u>
Net (decrease) increase in cash	(1,978,070)	105,374
Cash, beginning of year	8,351,740	8,246,366
Cash, end of year	<u>\$ 6,373,670</u>	<u>\$ 8,351,740</u>
<i>Cash at end of year consisted of</i>		
Unrestricted cash	\$ 4,047,018	\$ 5,247,515
Restricted cash	2,326,652	3,104,225
Total	<u>\$ 6,373,670</u>	<u>\$ 8,351,740</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest charged to projects under development	<u>\$ -</u>	<u>\$ 85,534</u>

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

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 1 ORGANIZATION

Habitat for Humanity New York City, Inc. (Habitat-NYC) transforms lives and the city by building quality homes for families in need and uniting all New Yorkers around the cause of affordable housing. Habitat-NYC's work includes the new construction of multi-family homes, rehabilitation of single-family and multi-family homes, and community improvement projects, including painting and rehabilitation of community and senior centers. Habitat-NYC also advocates for housing policies that benefit low-income people. Generally, each housing project is undertaken under a separate entity organized under the New York State Private Housing Finance Law and New York State Not-For-Profit Corporation Law, with Habitat-NYC being the sole member. Habitat-NYC's housing projects are undertaken by the following entities:

Habitat for Humanity Housing Development Fund Company (HDFC)
Hart Lafayette Housing Development Fund Corporation (Hart-Lafayette)

Habitat for Humanity St. John's Housing Development Fund Corporation
(St. John's)

Habitat for Humanity Bed-Stuy Homes HDFC (Bed-Stuy I)

Habitat for Humanity Bed-Stuy Homes II HDFC (Bed-Stuy II)

Habitat for Humanity Bed-Stuy Homes III HDFC (Bed-Stuy III)

Habitat for Humanity Bed-Stuy Homes IV HDFC (Bed-Stuy IV)

Habitat for Humanity Bed-Stuy Homes V HDFC (Bed-Stuy V)

Habitat for Humanity Bed-Stuy Homes VI HDFC (Bed-Stuy VI)

Habitat for Humanity Dean Street Housing Development Fund Corporation (Dean Street)

HFH NYC GC LLC (GC)

Habitat-NYC and HDFC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and have been classified as publicly supported organizations as described in Code Sections 509(a)(1) and 170(b)(a)(vi). Further, Hart-Lafayette, Bed-Stuy I, Bed-Stuy II, Bed-Stuy III, Bed-Stuy IV, Bed-Stuy VI, and St. John's are exempt from federal income taxes under Section 501(c)(4) of the Code. Habitat-NYC expects to receive the determination letters from the Internal Revenue Service (the IRS) for Bed-Stuy V and Dean Street, which were established to be tax exempt under Section 501(c)(4) of the Code. GC is a domestic limited liability company set up in the state of New York to act as a general contractor on some Habitat-NYC construction projects.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 1 ORGANIZATION *(continued)*

Habitat-NYC is an affiliate of Habitat for Humanity International, Inc. (HFHI), which is based in Americus, Georgia. As discussed in Notes 2 and 8, certain housing projects of Habitat-NYC receive government subsidies, which include funds from the U.S. Department of Housing and Urban Development (U.S. HUD) through HFHI under the Neighborhood Stabilization Program, Part 2 (NSP2).

In an agreement related to the NSP2 funds entered into in January 2013 and that expired on June 30, 2014, Habitat-NYC paid HFHI an administrative fee totaling \$200,000, of which \$100,000 was charged to expense each year in fiscal years 2014 and 2013. In addition, Habitat-NYC contributes to HFHI's tithing and stewardship programs. Tithe contributions amounted to \$75,000 each year in fiscal years 2015 and 2014, while stewardship contributions amounted to \$16,700 and \$8,300 in fiscal years 2015 and 2014, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements consist of the accounts of Habitat-NYC and its affiliates (collectively, Habitat), and have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). All intercompany account balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Net Asset Classifications

Habitat's net assets have been presented and classified as unrestricted and temporarily restricted based on the existence or absence of donor-imposed restrictions. Habitat-NYC does not have permanently restricted net assets.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net Asset Classifications *(continued)*

Unrestricted—Resources that are not subject to donor restrictions. Unrestricted amounts may be designated by the Board of Directors (the Board), or management at the Board's direction, to cover any purposes determined by Habitat-NYC.

Temporarily restricted—Funds that Habitat-NYC may use in accordance with donors' restrictions for specific purposes or upon the passage of time (see Note 11).

Revenue Recognition

Contributions—All unconditional contributions are recorded at fair value as revenue when received.

The fair value of long-term contributions receivable is measured based on the present value of future cash flows, with consideration of expectation about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also consider donors' credit risk.

All contributions are considered available for unrestricted use unless restricted specifically by the donor. Habitat-NYC records contributions as temporarily restricted net assets if they are received with donor stipulations that limit their use either through purpose or time. When donor restrictions expire (i.e., when a time or purpose restriction is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Government subsidies—Certain housing projects of Habitat-NYC receive government subsidies, such as funds from the U.S. HUD through HFHI under NSP2, and capital project funds awarded by the City of New York or the sale of property received from the City of New York or its agencies (the City) at substantially below fair value. Generally, the ability to utilize these subsidies is subject to the requirement that housing units are sold only to qualified purchasers, primarily families that do not exceed household income levels prescribed under the terms of the government subsidies. Accordingly, NSP2 funds, cost reimbursements or property received with such requirement are recorded as deferred revenue and are recognized as income when the related housing units are sold to such qualified purchasers.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition *(continued)*

Deferred developer's fee—Developer's fees received are deferred and recognized as income when the related housing units are sold to qualified purchasers.

Contributed Services

All of Habitat-NYC's Board members have volunteered their time to serve on the Board. There are partner families (prospective qualified purchasers) and other volunteers who have donated significant time to Habitat-NYC in project construction and its related programs. The value of this contributed time is not reflected in these consolidated financial statements since these services do not meet the following criteria for recognition under GAAP: (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation.

Contributed services received and recorded during fiscal 2015 and 2014 were not material.

Functional Allocation of Expenses

Costs that are specifically identifiable to programs and supporting services (to fundraising or to management and administration) are charged directly to such functions. Costs incurred for both programs and supporting services are allocated based on certain factors deemed reasonable by management.

Cash and Cash Equivalents

Habitat-NYC considers money market investments and certificates of deposits with a maturity of three months or less on the date of acquisition to be cash equivalents.

Habitat-NYC maintains its cash in bank deposit accounts that may exceed federally insured limits. Habitat-NYC has not experienced any losses in such accounts. At June 30, 2015, approximately 91% of unrestricted and restricted cash was held by three financial institutions.

Restricted cash consists primarily of funds set aside by Habitat-NYC for projects under development and deposits required under the terms of various project funding agreements and notes payable.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allowance for Doubtful Accounts

Habitat-NYC evaluates the collectability of accounts receivable and contributions receivable and provides an allowance for any losses based on collection history and other factors determined by management. Write-offs are charged against the allowance. The allowance for uncollectible accounts receivable amounted to \$0 and \$12,079 at June 30, 2015 and 2014, respectively. The allowance for uncollectible contributions receivable amounted to \$0 and \$125,000 at June 30, 2015 and 2014, respectively.

Investments

Investments consist of fixed-income mutual funds and certificates of deposit with maturities in excess of 90 days from the dates of purchase. The mutual funds are carried at fair value based on quoted market prices. The certificates of deposit are carried at cost, which approximates fair value. Dividends and interest income are recognized when earned and are reported as revenue in the consolidated statements of activities. Realized and unrealized gains and losses on fixed-income mutual funds are reported as investment return in the consolidated statements of activities.

Mortgages Receivable

Mortgages receivable do not bear interest and are reported at present value, using a discount rate of 8.00%.

Management considers a loan to be delinquent or past due if a borrower fails to make a contractually scheduled principal payment that is over 120 days past due. Habitat-NYC's management periodically reviews mortgage balances to determine whether an allowance for bad debts should be established for any amounts determined to be unrecoverable. Factors considered by management include principal collections experience, collateral value, borrowers' financial conditions and other factors.

Habitat-NYC considers a loan to be impaired when it is "probable" that repayment obligations due according to the contractual terms will not be met. The term "probable" is used consistently with its use in Accounting Standards Codification (ASC) 450, *Contingencies*. In this instance, the mortgage carrying value is written down if deemed necessary by management based on the review of the collateral and other considerations by management. The receivables are collateralized by mortgage liens on the underlying housing units.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ReStore Inventory

Habitat-NYC receives donated construction materials, home furnishings, tools and similar items for resale. These are recorded as in-kind contributions upon receipt at the estimated realizable value.

Interest in Limited Partnership

The accompanying consolidated financial statements for the year ended June 30, 2015 include Habitat NYC's previously unrecorded interest in a limited partnership (the partnership) that holds a property used for senior housing project in the State of New Jersey. The interest in the partnership was not reported in prior years due to the unavailability of financial information for the partnership and the ongoing arbitration proceedings among the partners in the partnership.

Habitat-NYC applies the equity method in accounting for its interest in the partnership based on the partnership's most recent audited financial statements, which are reported on a calendar year basis, and distributions received from the partnership during its fiscal year.

Projects under Development

Projects under development are recorded at the lower of cost or net realizable value. Project costs include expenditures to acquire properties or, if purchased at below fair value, the fair value at the time of receipt, environmental reviews and other activities to prepare the properties for construction, project construction costs and interest and fees incurred to finance the projects.

The total cost of development is funded by proceeds from the sale of the housing units, government subsidies for the housing project, and project-restricted private contributions. Project costs funded by project-restricted private contributions are recognized as program expense (within the costs of housing units sold).

Property and Equipment

Property and equipment are carried at cost or, if donated, at fair value at the time of receipt. Property and equipment other than leasehold improvements are depreciated on the straight-line basis over the respective estimated useful lives of the assets, which range from three to five years. Leasehold improvements are amortized over the term of the related lease or the estimated useful life of the improvements, whichever is shorter.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Rent Expense

Rent expense is recorded on the straight-line basis over the term of the lease. The difference between rental payments made under the leases and rent expense calculated on the straight-line basis is recorded as prepaid rent or deferred rent liability.

Income Taxes

As described in Note 1, Habitat-NYC, HDFC and Hart-Lafayette are exempt from federal income taxes. They are also exempt from state income taxes. All other entities that comprise Habitat-NYC were established to be tax-exempt organizations under Code Section 501(c)(4).

Management evaluated Habitat-NYC's tax positions and concluded that, as of June 30, 2015, there were no uncertain tax positions taken or expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying consolidated financial statements.

Habitat-NYC is subject to audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that Habitat-NYC is no longer subject to income tax examinations by federal, state or local tax authorities for years ended on or prior to June 30, 2011.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable are due to be collected as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 52,235	\$ 654,531
One to five years	26,213	53,775
Less: Allowance for uncollectable contribution	-	(125,000)
Total	<u>\$ 78,448</u>	<u>\$ 583,306</u>

Contributions receivable that are due more than one year at inception are recorded at fair value using the present value technique. They have been discounted to their present value at rates ranging from 3.11% to 4.25% a year. The related present value discount totaled approximately \$7,000 and \$17,000 as of June 30, 2015 and 2014.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 4 FAIR VALUE MEASUREMENTS

Habitat-NYC accounts for fair value measurements under the accounting standard that establishes a hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally range from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value.

Level 1: Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Level 2: Measurements that are derived indirectly from observable inputs or from quoted prices from markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks and others.

Level 3: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

NOTE 4 FAIR VALUE MEASUREMENTS *(continued)*

The following tables provide the fair value hierarchy of Habitat-NYC's investments at June 30, 2015 and 2014. There are no other assets or liabilities that are required to be measured at fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>June 30, 2015</i>				
Cash and cash equivalents	\$ 5,895,601	\$ -	\$ -	\$ 5,895,601
Investments				
<i>Fixed income mutual funds</i>				
Short duration bond funds	1,526,161	-	-	1,526,161
U.S. Treasury and agency funds	1,097,533	-	-	1,097,533
Certificates of deposit	-	4,518,053	-	4,518,053
Total investments	<u>2,623,694</u>	<u>4,518,053</u>	<u>-</u>	<u>7,141,747</u>
Total	<u>\$ 8,519,295</u>	<u>\$ 4,518,053</u>	<u>\$ -</u>	<u>\$ 13,037,348</u>
<i>June 30, 2014</i>				
Cash and cash equivalents	\$ 7,453,879	\$ -	\$ -	\$ 7,453,879
Investments				
<i>Fixed income mutual funds</i>				
Short duration bond funds	1,515,315	-	-	1,515,315
U.S. Treasury and agency funds	1,089,744	-	-	1,089,744
Certificates of deposit	-	4,445,187	-	4,445,187
Total investments	<u>2,605,059</u>	<u>4,445,187</u>	<u>-</u>	<u>7,050,246</u>
Total	<u>\$ 10,058,938</u>	<u>\$ 4,445,187</u>	<u>\$ -</u>	<u>\$ 14,504,125</u>

The investment return in the consolidated statements of activities consisted of interest and dividend income of \$60,537 and \$95,262 during fiscal years 2015 and 2014, respectively, and unrealized loss on investments of \$3,247 and \$7,154 during fiscal years 2015 and 2014, respectively.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 5 MORTGAGES RECEIVABLE

Prior to 2008, Habitat-NYC originated interest-free mortgages to finance the sale of housing units to qualified purchasers. Discounted at an annual rate of 8% a year, the mortgage receivables at June 30, 2015 and 2014 consisted of the following:

	June 30, 2015							
	Past Due					Not Yet Due		Total
	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Current Portion	Noncurrent Portion	
Face amount	\$ 54,937	\$ 16,505	\$ 9,950	\$ -	\$ 155,951	\$ 535,522	\$ 8,064,251	\$ 8,837,116
Unamortized discount	-	-	-	-	-	(344,679)	(3,588,185)	(3,932,864)
	<u>\$ 54,937</u>	<u>\$ 16,505</u>	<u>\$ 9,950</u>	<u>\$ -</u>	<u>\$ 155,951</u>	<u>\$ 190,843</u>	<u>\$ 4,476,066</u>	<u>\$ 4,904,252</u>
	2014							
	Past Due					Not Yet Due		Total
	1-30 days	31-60 days	61-90 days	91-120 days	Over 120 days	Current Portion	Noncurrent Portion	
Face amount	\$ 63,069	\$ 23,059	\$ 21,341	\$ -	\$ 180,643	\$ 535,522	\$ 8,545,559	\$ 9,369,193
Unamortized discount	-	-	-	-	-	(372,254)	(3,938,778)	(4,311,032)
	<u>\$ 63,069</u>	<u>\$ 23,059</u>	<u>\$ 21,341</u>	<u>\$ -</u>	<u>\$ 180,643</u>	<u>\$ 163,268</u>	<u>\$ 4,606,781</u>	<u>\$ 5,058,161</u>

Commencing in 2008, Habitat-NYC discontinued financing sales as its primary method of providing homeowners' financing and partnered with the State of New York Mortgage Agency (SONYMA) such that banks originate mortgage loans to qualified purchasers. The mortgages are then purchased by SONYMA. However, on a limited basis, Habitat-NYC has provided financing sales for homes when SONYMA mortgages were not feasible.

During fiscal 2014, Habitat-NYC repossessed a housing unit with a delinquent mortgage balance of \$73,808, net of the unamortized discount, which is included in prepaid and other assets in the 2015 and 2014 consolidated statements of financial position. Habitat-NYC also determined that the allowance for bad debts of \$135,458 established in fiscal 2013 was no longer required and, as a result, reversed the amount to other income in fiscal year 2014.

The housing units were sold to the Family Partners at below-market values and, therefore, the estimated realized value of the housing units that secure delinquent mortgages generally exceed the delinquent mortgages receivable. The mortgages receivable that include amounts which are over 120 days past due totaled \$1,743,000 and \$2,725,000 at June 30, 2015 and 2014, respectively (net of unamortized discount of \$697,000 and \$1,527,000 at June 30, 2015 and 2014, respectively), and averaged \$2,234,000 and \$1,839,000 at June 30, 2015 and 2014, respectively (net of unamortized discount of \$1,112,000 and \$1,208,000 at June 30, 2015 and 2014, respectively). There is no interest accrued on overdue amounts as these mortgages are non-interest bearing.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

NOTE 6 PROJECTS UNDER DEVELOPMENT

The activity in projects under development during the years ended June 30, 2015 and 2014 consisted of:

<u>Project and location</u>	<u>Balance at June 30, 2014</u>	<u>Fiscal Year 2015 Activity</u>		<u>Balance at June 30, 2015</u>
		<u>Additions</u>	<u>Sales and Adjustments</u>	
<i>Bed-Stuy I</i>				
Monroe St.	\$ 809,572	\$ 4,344	\$ (813,916)	\$ -
Bed-Stuy II - Jefferson Avenue	686,876	5,403	(350,795)	341,484
Bed-Stuy III - Ralph Ave.	1,296,904	23,883	(1,320,787)	-
Bed-Stuy IV - Madison St.	1,629,121	17,842	(1,370,526)	276,437
Bed-Stuy IV - St. Mark's	1,144,701	36,451	(1,181,152)	-
NYCHA Queens	2,612,601	1,304,674	-	3,917,275
Brooklyn Small Sites	-	9,000	-	9,000
Sydney	-	52,375	-	52,375
SEED	-	112,692	-	112,692
Ralph II	-	16,950	-	16,950
Dean Street	866,040	793,804	-	1,659,844
Total	9,045,815	2,377,418	(5,037,176)	6,386,057
Project cost funded by project-restricted private contributions	(487,860)	-	(221,681)	(709,541)
Net	\$ 8,557,955	\$ 2,377,418	\$ (5,258,857)	\$ 5,676,516

<u>Project and location</u>	<u>Balance at June 30, 2013</u>	<u>Fiscal Year 2014 Activity</u>		<u>Balance at June 30, 2014</u>
		<u>Additions</u>	<u>Sales and Adjustments</u>	
St. John's	\$ 1,030,323	\$ 21,260	\$ (1,051,583)	\$ -
Hart-Lafayette	-	-	-	-
<i>Bed-Stuy I</i>				
Bainbridge St.	359,210	8,229	(367,439)	-
Monroe St.	777,588	31,984	-	809,572
Marion St.	955,190	27,997	(983,187)	-
Bed-Stuy II - Jefferson Avenue	2,672,412	124,590	(2,110,126)	686,876
Bed-Stuy III - Ralph Ave.	2,528,689	65,246	(1,297,031)	1,296,904
Bed-Stuy IV - Madison St.	7,221,966	210,581	(5,803,426)	1,629,121
Bed-Stuy IV - St. Mark's	7,356,462	358,892	(6,570,653)	1,144,701
Kosciuszko St.	3,372,548	177,638	(3,550,186)	-
NYCHA Queens	435,246	2,177,355	-	2,612,601
Dean Street	267,012	599,028	-	866,040
Total	26,976,646	3,802,800	(21,733,631)	9,045,815
Project cost funded by project-restricted private contributions	(816,978)	-	329,118	(487,860)
Net	\$ 26,159,668	\$ 3,802,800	\$ (21,404,513)	\$ 8,557,955

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
<i>Cost</i>		
Furniture and equipment	\$ 426,278	\$ 403,927
Leasehold improvements	410,005	192,259
	<u>836,283</u>	<u>596,186</u>
<i>Less: Accumulated depreciation and amortization</i>	<u>(438,094)</u>	<u>(371,636)</u>
Net	<u>\$ 398,189</u>	<u>\$ 224,550</u>

Habitat-NYC received an in-kind contribution of equipment valued at \$22,413 and \$117,241 during fiscal years 2015 and 2014, respectively.

NOTE 8 INTEREST IN LIMITED PARTNERSHIP

Habitat-NYC's interest in the partnership in the 2015 consolidated financial statements consisted of:

Equity interest in limited partnership based on the partnership's audited financial statements for the year ended December 31, 2014	\$ 360,309
Partnership distributions received by Habitat-NYC during fiscal year 2015	<u>(501,649)</u>
Partnership distributions in excess of equity interest	<u><u>\$(141,340)</u></u>

The equity interest in limited partnership has been reported as revenue in the 2015 consolidated statement of activities, which includes amounts pertaining to prior periods. A substantial portion of the partnership distributions during fiscal year 2015 was received after December 31, 2014. The resulting partnership distribution in excess of equity has been reported as a liability in the 2015 consolidated statement of financial position.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 9 DEFERRED REVENUE

Deferred revenue represents government grants and subsidies for projects under development which will be recognized as revenue when the related housing units are sold to qualified purchasers. Deferred revenue at June 30, 2015 and 2014 consisted of:

	<u>2015</u>	<u>2014</u>
NSP2 grants	\$ 366,135	\$ 2,845,912
Government subsidies	345,996	345,996
Total	<u>\$ 712,131</u>	<u>\$ 3,191,908</u>

NSP2 Grants

In June 2010, Habitat-NYC entered into a developer's agreement with HFHI under which HFHI provides NSP2 funds to Habitat-NYC to use in the construction of multi-family housing projects. As amended in February 2013, Habitat-NYC is required to complete 105 housing units at an estimated cost of approximately \$42.9 million, a portion of which is funded from NSP2 grants. As of June 30, 2013, Habitat-NYC had received all of the NSP2 grants, which totaled \$19.3 million for project acquisition and construction and \$1.7 million for the developer's fee.

The developer's agreement provides, among other things, that the units be sold to low-income and moderate-income households (Purchasers, as defined in the agreement). In addition, certain terms of the agreement provide for HFHI's ability to declare default if certain milestones outlined in the agreement are not met by Habitat-NYC. The milestones consist of environmental review, acquisition of properties, selection and training of Purchasers, construction, transfer of title to Purchasers, and occupancy. As of June 30, 2015, Habitat-NYC has sold 103 units. The remaining 2 units were sold on September 22, 2015.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 9 DEFERRED REVENUE (continued)

NSP2 Grants (continued)

NSP2 funds received are recorded as deferred revenue, and are recognized as income as the units are sold. The activity in the projects funded by NSP2 grants during fiscal year 2015 and 2014 is summarized below:

<u>Project and location</u>	<u>Balance at July 1, 2014</u>	<u>Fiscal Year 2015 Activity</u>		<u>Balance at June 30, 2015</u>
		<u>Amount Received</u>	<u>Amount Recognized as Revenue</u>	
Bed-Stuy I - Monroe St.	\$ 390,905	\$ -	\$ 390,905	\$ -
Bed-Stuy II - Jefferson Ave.	287,104	-	143,552	143,552
Bed-Stuy III - Ralph Ave.	683,671	-	683,671	-
Bed-Stuy IV - Madison St.	890,332	-	667,749	222,583
Bed-Stuy V - St Mark's	593,900	-	593,900	-
Total	\$ 2,845,912	\$ -	\$ 2,479,777	\$ 366,135

<u>Project and location</u>	<u>Balance, at June 30, 2013</u>	<u>Fiscal Year 2014 Activity</u>		<u>Balance, at June 30, 2014</u>
		<u>Amount Received</u>	<u>Amount Recognized as Revenue</u>	
St. John's	\$ 559,153	\$ -	\$ 559,153	\$ -
<i>Bed-Stuy I</i>				
Bainbridge St.	198,575	-	198,575	-
Monroe St.	390,905	-	-	390,905
Marion St.	455,042	-	455,042	-
Bed-Stuy II - Jefferson Ave.	1,148,418	-	861,314	287,104
Bed-Stuy III - Ralph Ave.	1,367,343	-	683,672	683,671
Bed-Stuy IV - Madison St.	4,006,508	-	3,116,176	890,332
Bed-Stuy V - St Mark's	3,860,347	-	3,266,447	593,900
Kosciuszko St.	1,462,080	-	1,462,080	-
Total	\$ 13,448,371	\$ -	\$ 10,602,459	\$ 2,845,912

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 9 DEFERRED REVENUE *(continued)*

Government Subsidies

Certain projects under development receive subsidies from the City in the form of loan grants, capital project funds or sale of property at substantially below market value for the project sites. The subsidies are encumbered by various loan agreements and related security instruments, which require repayment of the subsidies to the City in the event of Habitat-NYC's default on its construction obligations and sale of the units to the qualified purchasers. Habitat-NYC's obligations under the agreements are further collateralized by the projects under development.

Subsidies received are deferred and recognized as income as the housing units are sold to qualified buyers pursuant to the terms of the underlying agreements with the City. At June 30, 2015 and 2014, the deferred project subsidy consisted of \$345,996 for the various properties acquired from the City for the Dean St. project at a nominal price of \$4 under a land disposition agreement and deed executed on June 26, 2014. The properties collectively had an appraised value of \$346,000.

Government subsidies recognized as income as a result of the sale of housing units to qualified buyers totaled \$0 and \$212,167 for the years ended June 30, 2015 and 2014, respectively.

Under various agreements executed on June 26, 2014, Habitat-NYC also expects to receive additional subsidies in the form of a construction loan grant amounting to \$1,632,000 from the City through the Department of Housing Preservation and Development (HPD), \$600,000 in a conditional grant of \$600,000 from the State of New York Affordable Housing Corporation (AHC) and a permanent, non-interest bearing loan of \$670,859 from the New York State Housing Trust Fund Corporation to finance a portion of the construction cost of the Dean St. project. The construction loan grant and conditional grant will be available in the form of advances in accordance with the order of disbursement and requisition process, among other requirements, set forth in the memorandum of understanding dated June 26, 2014 among Habitat-NYC, HPD and AHC. No loan grant, conditional grant or permanent loan has been drawn or received by Habitat-NYC as of June 30, 2015.

For the NYCHA Queens project, Habitat-NYC received from AHC an award dated September 12, 2013 in an amount not to exceed \$520,000 and from HPD a funding commitment dated May 22, 2015 in the amount of \$890,000 for the acquisition and rehabilitation of approximately 13 housing units in Queens. Habitat-NYC has not received any portion of the award or the funding commitment as of June 30, 2015.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 10 BOARD-DESIGNATED NET ASSETS

The Board of Directors authorized management to establish a Board-designated reserve in the amount of \$1,000,000 as a source of funds in times of general economic downturn and to meet cash flow requirements as needed. This reserve enables Habitat-NYC to avoid dramatic year-to-year program changes that might arise due to uncertainties associated with government grants and private funding streams.

Accounting Standards Codification (ASC) 958.205.45, *Not-for-Profit Entities—Other Presentation Matters—Reporting Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In September 2010, New York State adopted its version of UPMIFA, the New York Prudent Management of Institutional Funds Act.

Habitat-NYC's endowment consists of its Board-designated fund of \$1,000,000. Habitat-NYC has invested its Board-designated fund to provide a predictable stream of funding while preserving the purchasing power of the funds, utilizing a fixed income strategy to accomplish this objective. Investment income related to the board-designated fund amounted to approximately \$9,000 and \$9,300 in 2015 and 2014, respectively. It is the Board's policy to appropriate such income to support Habitat-NYC's activities. As of June 30, 2015, the Board has not established a spending rate policy for the Board-designated fund.

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include those funds received or promised specifically for construction and development, rehabilitation and other purposes which have not yet been spent in fulfillment of those donor restrictions, as well as grants that are time-restricted.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS *(continued)*

The activity in temporarily restricted net assets follows:

	Balance, at July 1, 2014	Fiscal Year 2015 Activity		Balance, at June 30, 2015
		Additions	Releases from Restrictions	
Capital Campaign (time-restricted)	\$ 585,920	\$ -	\$ 504,858	\$ 81,062
Brush with Kindness	-	12,501	12,501	-
Gala donation	10,000	-	10,000	-
Dean Street	-	29,500	29,500	-
Hurricane Sandy Project	152,751	303,195	455,946	-
Total	\$ 748,671	\$ 345,196	\$ 1,012,805	\$ 81,062

	Balance at July 1, 2013	Fiscal Year 2014 Activity		Balance at June 30, 2014
		Additions	Releases from Restrictions	
Capital Campaign (time-restricted)	\$ 1,263,593	\$ 20,000	\$ 697,673	\$ 585,920
Brush with Kindness	18,369	123,654	142,023	-
World of Hope	25,000	-	25,000	-
Gala donation	20,000	-	10,000	10,000
Horace W. Goldsmith Foundation	29,844	-	29,844	-
Faith-based contribution	5,000	-	5,000	-
Hurricane Sandy Project	508,377	384,746	740,372	152,751
Total	\$ 1,870,183	\$ 528,400	\$ 1,649,912	\$ 748,671

NOTE 12 EMPLOYEE BENEFIT PLAN

Habitat-NYC has a 403(b) defined contribution retirement plan. Employees become eligible to contribute to the plan upon employment. Participating employees may contribute any amount up to the maximum IRS annual contribution limits. Matching contributions made by Habitat-NYC, which are discretionary, totaled \$69,536 and \$23,769 during the years ended June 30, 2015 and 2014, respectively.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 13 COMMITMENTS AND CONTINGENCIES

Leases

Habitat-NYC has an operating lease for its office space that expires on October 31, 2016. Payments due in fiscal years 2016 and 2017 total \$224,000 and \$75,000, respectively.

Habitat-NYC also entered into a non-cancellable 39-month operating lease agreement for office equipment, which commenced in December 2014 and expires in March 2018. Payments are \$775 per month.

Additionally, commencing on September 15, 2015, Habitat-NYC entered into a 10-year operating lease agreement for its ReStore space that expires on September 15, 2025. Annual payments range from \$75,850 to \$83,435.

Approximate future minimum lease payments related to the operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 293,000
2017	160,000
2018	82,000
2019	76,000
2020	76,000
2021 - 2026	433,000
	<u>\$ 1,120,000</u>

Rent expense was approximately \$220,000 and \$219,000 for the years ended June 30, 2015 and 2014, respectively. The cumulative difference between rent expense and amounts paid in accordance with the terms of the lease amounted to \$36,470 and \$56,746, as of June 30, 2015 and 2014, respectively, and has been reflected as deferred rent liability in the accompanying consolidated statement of financial position.

Contingencies

Habitat-NYC, in the normal course of its business, is a party to a legal proceeding that is covered partly by insurance. While it is not feasible to predict the outcome of proceeding, management of Habitat-NYC is not aware of any material adverse effect that it will have on the Habitat-NYC's consolidated financial position, changes in net assets or cash flows.

HABITAT FOR HUMANITY NEW YORK CITY, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

NOTE 14 SUBSEQUENT EVENTS

Habitat-NYC evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the consolidated financial statements. Such evaluation was performed through December 4, 2015, the date the consolidated financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying consolidated financial statements.

