HABITAT FOR HUMANITY
WILLIAMSON – MAURY

FINANCIAL STATEMENTS

June 30, 2016 and 2015

HABITAT FOR HUMANITY WILLIAMSON – MAURY

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity Williamson – Maury
Franklin, Tennessee

We have audited the accompanying financial statements of Habitat for Humanity Williamson – Maury (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Williamson – Maury as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frazier, Dee & Hood, PLLC

Nashville, Tennessee
December 1, 2016

HABITAT FOR HUMANITY WILLIAMSON - MAURY
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
Assets		
Cash	$ 690,997	$ 669,122
Sponsorships receivable, net	55,295	40,872
Prepaid expenses and other	203,794	185,812
Construction in progress	11,067	22,184
Land held for development	838,071	572,422
Real estate held for resale	59,287	151,609
Non-interest bearing mortgage loans receivable, net of discount of $5,952,293 and $5,657,218, respectively	7,149,900	6,994,230
Property and equipment, net	412,027	426,179
Total assets	$ 9,420,438	$ 9,062,430
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 89,054	$ 66,996
Escrow accounts	78,418	82,337
Line of credit	260,829	260,829
Notes payable	1,906,336	1,821,995
Unearned revenue on second mortgage loans	1,489,948	1,587,950
Total liabilities	3,824,585	3,820,107
Net assets:		
Unrestricted	5,349,868	5,143,901
Temporarily restricted	245,985	98,422
Total net assets	5,595,853	5,242,323
Total liabilities and net assets	$ 9,420,438	$ 9,062,430

See accompanying notes.

HABITAT FOR HUMANITY WILLIAMSON - MAURY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Transfers to homeowners	$ 1,374,900	$ -	$ 1,374,900
Contributions	916,675	245,985	1,162,660
ReStore sales	924,205	-	924,205
Mortgage loan discount amortization	533,391	-	533,391
Other	157,814	-	157,814
Special events	68,924	-	68,924
	3,975,909	245,985	4,221,894
Net assets released from restrictions	98,422	(98,422)	-
Total support and revenue	4,074,331	147,563	4,221,894
Expenses:			
Program services	3,306,918	-	3,306,918
Management and general	280,909	-	280,909
Fundraising	280,537	-	280,537
Total expenses	3,868,364	-	3,868,364
Change in net assets	205,967	147,563	353,530
Net assets at beginning of year	5,143,901	98,422	5,242,323
Net assets at end of year	$ 5,349,868	$ 245,985	$ 5,595,853

See accompanying notes.

HABITAT FOR HUMANITY WILLIAMSON - MAURY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Transfers to homeowners	$ 1,388,600	$ -	$ 1,388,600
Contributions	1,073,598	98,422	1,172,020
ReStore sales	787,256	-	787,256
Mortgage loan discount amortization	482,835	-	482,835
Other	125,461	-	125,461
Special events	63,446	-	63,446
	3,921,196	98,422	4,019,618
Net assets released from restrictions	59,675	(59,675)	-
Total support and revenue	3,980,871	38,747	4,019,618
Expenses:			
Program services	3,475,244	-	3,475,244
Management and general	189,417	-	189,417
Fundraising	226,744	-	226,744
Total expenses	3,891,405	-	3,891,405
Change in net assets from operations	89,466	38,747	128,213
Contribution net assets from Habitat for Humanity of Maury County	1,049,728	-	1,049,728
Change in net assets	1,139,194	38,747	1,177,941
Net assets at beginning of year	4,004,707	59,675	4,064,382
Net assets at end of year	$ 5,143,901	$ 98,422	$ 5,242,323

See accompanying notes.

HABITAT FOR HUMANITY WILLIAMSON - MAURY
STATEMENTS OF CASH FLOWS
June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 353,530	$ 128,213
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contribution of net assets from Habitat for Humanity of Maury County	-	1,049,728
Depreciation	28,555	24,022
Transfers to homeowners, net	(540,127)	(1,148,452)
Mortgage loan discount amortization	(533,391)	(482,835)
Notes payable discount	(114,398)	(257,709)
Net gain on disposal of property	(147,159)	-
Changes in operating assets and liabilities:		
Sponsorships receivable, net	(14,423)	22,753
Land held for development	(265,649)	194,173
Real estate held for resale	115,827	11,236
Construction in progress, net	11,117	121,376
Prepaid expenses and other	(17,982)	(49,762)
Accounts payable and accrued expenses	22,058	19,730
Escrow accounts	(3,919)	15,578
Net cash used in operating activities	(1,105,961)	(351,949)
Cash flows from investing activities:		
Purchases of property and equipment	(14,403)	(46,122)
Proceeds from disposal of property	277,627	-
Mortgage payments received	665,873	612,820
Net cash provided by investing activities	929,097	566,698
Cash flows from financing activities:		
Payments on notes payable	(146,136)	(535,649)
Proceeds from notes payable	344,875	759,035
Net cash provided by financing activities	198,739	223,386
Net increase in cash and equivalents	21,875	438,135
Cash and cash equivalents at beginning of year	669,122	230,987
Cash and cash equivalents at end of year	$ 690,997	$ 669,122

See accompanying notes.

HABITAT FOR HUMANITY WILLIAMSON - MAURY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services					Supporting Services			
	Construction	Family Services	ReStore	Discounts on Mortgage Obligations	Total	Management and General	Fundraising	Total	Total
Construction costs (including allocated interest expense)	$ 1,558,395	$ -	$ -	$ -	$ 1,558,395	$ -	$ -	$ -	$ 1,558,395
Mortgage discounts	-	-	-	834,773	834,773	-	-	-	834,773
Salaries and related expenses	-	105,626	199,673	-	305,299	141,077	180,547	321,624	626,923
Cost of sales	-	-	270,544	-	270,544	-	-	-	270,544
THDA discount amortization	118,214	-	-	-	118,214	-	-	-	118,214
Rent	-	-	103,800	-	103,800	-	-	-	103,800
Insurance	-	4,877	41,301	-	46,178	21,120	24,171	45,291	91,469
Service charges and fees	-	2,867	14,526	-	17,393	18,174	3,905	22,079	39,472
Office expenses	-	4,285	2,603	-	6,888	15,319	8,072	23,391	30,279
Miscellaneous	-	738	1,756	-	2,494	-	26,250	26,250	28,744
Depreciation	-	-	8,978	-	8,978	19,577	-	19,577	28,555
Utilities	-	2,157	18,781	-	20,938	3,796	3,660	7,456	28,394
Tithes to Habitat for Humanity International, Inc.	-	-	-	-	-	26,500	-	26,500	26,500
Interest	-	-	-	-	-	19,875	-	19,875	19,875
Repairs and maintenance	-	-	6,894	-	6,894	10,306	1,241	11,547	18,441
Special events	-	-	-	-	-	-	17,523	17,523	17,523
Advertising and promotion	-	329	4,054	-	4,383	-	13,051	13,051	17,434
Travel and entertainment	-	1,616	131	-	1,747	5,165	2,117	7,282	9,029
	$ 1,676,609	$ 122,495	$ 673,041	$ 834,773	$ 3,306,918	$ 280,909	$ 280,537	$ 561,446	$ 3,868,364

See accompanying notes.

HABITAT FOR HUMANITY WILLIAMSON - MAURY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Program Services					Supporting Services			
	Construction	Family Services	ReStore	Discounts on Mortgage Obligations	Total	Management and General	Fundraising	Total	Total
Construction costs (including allocated interest expense)	$ 1,571,765	$ -	$ -	$ -	$ 1,571,765	$ -	$ -	$ -	$ 1,571,765
Mortgage discounts	-	-	-	1,091,041	1,091,041	-	-	-	1,091,041
Salaries and related expenses	-	81,329	198,197	-	279,526	64,555	161,967	226,522	506,048
Cost of sales	-	-	224,677	-	224,677	-	-	-	224,677
THDA discount amortization	99,997	-	-	-	99,997	-	-	-	99,997
Rent	-	-	99,468	-	99,468	-	-	-	99,468
Insurance	-	4,013	35,221	-	39,234	1,727	18,104	19,831	59,065
Utilities	-	1,776	21,136	-	22,912	6,512	6,842	13,354	36,266
Service charges and fees	-	2,601	12,291	-	14,892	16,929	2,498	19,427	34,319
Tithes to Habitat for Humanity International, Inc.	-	-	-	-	-	28,650	-	28,650	28,650
Interest	-	-	-	-	-	27,040	-	27,040	27,040
Depreciation	-	-	4,979	-	4,979	19,043	-	19,043	24,022
Repairs and maintenance	-	499	9,729	-	10,228	9,241	2,650	11,891	22,119
Office expenses	-	4,530	3,587	-	8,117	6,725	6,626	13,351	21,468
Advertising and promotion	-	2,463	4,238	-	6,701	-	13,786	13,786	20,487
Special events	-	-	-	-	-	-	12,261	12,261	12,261
Travel and entertainment	-	1,616	8	-	1,624	8,550	1,942	10,492	12,116
Miscellaneous	-	-	83	-	83	445	68	513	596
	$ 1,671,762	$ 98,827	$ 613,614	$ 1,091,041	$ 3,475,244	$ 189,417	$ 226,744	$ 416,161	$ 3,891,405

See accompanying notes.

HABITAT FOR HUMANITY WILLIAMSON – MAURY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND PURPOSE

Habitat for Humanity Williamson – Maury ("Habitat"), is a nonprofit, tax-exempt corporation organized in the State of Tennessee in 1992, whose goal is to provide affordable housing for low-income families in Williamson and Maury Counties, Tennessee. Habitat is an affiliate of Habitat for Humanity International, Inc. ("HFHI").

Habitat is an ecumenical housing ministry that helps people in need afford decent housing. The houses are funded primarily with money contributed by sponsors and other supporters. Families who qualify purchase their homes at cost and pay the purchase price back over a thirty year period with no interest. Monthly collections, except for taxes and insurance, are recycled into building more homes for other needy families. Families are chosen by Habitat's family selection committee. The need for a decent house is the most important criterion in the selection of a family. Only families who cannot purchase a house through conventional means are considered. A family must prove by their employment history and current income that they will be able to pay the cost of their home. The character of the potential homeowners and cohesiveness of the family are also important considerations. The family must give evidence that they will take pride in their home and community. Habitat's goal is to serve as a partner with all Habitat families. Families must put in two hundred and eighty hours of work by attending mandatory home buyer education classes, work on the home of other families of the program or work on their own home.

House design and construction are overseen by a local construction manager who consults with the family as to their housing needs. The houses are primarily built by the future home owners, sponsors and other volunteers. Hired labor is used when required by building codes or when it is more efficient to use it.

Habitat is bound to HFHI through an affiliate covenant. HFHI primarily assists local affiliates with information resources, training, publications, prayers and other general administrative support.

Habitat operates from facilities located in Franklin, Tennessee, and receives its support primarily from the Middle Tennessee area. It is supported primarily by charitable grants, sales of affordable housing, contributions and fundraising events.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Habitat have been prepared on the accrual basis of accounting. The significant accounting policies are described below.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Habitat and changes therein are classified and reported as follows:

> **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations.
>
> **Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Habitat and/or the passage of time.
>
> **Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. Habitat had no permanently restricted net assets at June 30, 2016 and 2015.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to Habitat that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Habitat operates the Habitat for Humanity ReStore ("ReStore") in Franklin, Tennessee, a retail operation, where home furnishings, appliances and other miscellaneous items are donated and then sold to the community at a greatly reduced price. Additionally, Habitat occasionally purchases inventory items for sale at ReStore. ReStore sales are recognized as revenue at the time the merchandise is transferred to the customer. Sales returns have not been significant.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions of assets other than cash are recorded at market value at the date of donation, except for ReStore donations. Since most ReStore donations are the result of overstocked, low demand, used or damaged items, the value of the donations is not readily determinable until the item is sold. Therefore, the ReStore inventory has been reasonably estimated as a percentage of lagging three-month sales.

Sponsorships of homes are solicited from the public, specifically recognizable groups such as churches, schools, civic organizations, business organizations, etc. A full sponsorship of a home is $70,000. Co-sponsorships are allowed. Sponsors are required to sign a sponsorship agreement which is an unconditional promise to give. Cash and/or in-kind donations, primarily materials, are counted toward fulfilling the sponsorship. Sponsors also commit to provide between 1,000 and 1,300 man-hours of general construction labor.

Sponsorship receivables generally state that full payment is due sixty days prior to the scheduled build date. Certain individual sponsorship agreements may state specific partial payment amounts and due dates. Account balances with invoices dated over thirty days old are considered delinquent. The carrying amount of sponsorships receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Sponsorships receivable are written off when, at management's discretion, further collections will not be pursued on an account.

Grants and bequests, primarily from state and local housing authorities or private foundations, may require the fulfillment of certain conditions as set forth in the grant or bequest notification/instrument. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although such a circumstance is a possibility, management deems the contingency remote because Habitat has historically complied with donor provisions. By accepting the gifts and their terms, Habitat has demonstrated its intent and its policy to accommodate the provisions of the gifts and to coordinate them with the objectives of Habitat.

Mortgages receivable are secured by deeds of trust on the real estate sold. Payments are due monthly. When a loan becomes sixty days past due, the homeowner is required to attend classes on budgeting and is required to fulfill a payment plan to become current on the mortgage. Federal regulations require foreclosure procedures to begin on day one hundred and twenty-one past due.

Unearned revenue on second mortgage loans represents the discounted value of non-interest bearing second mortgage loans obtained on Habitat loans. The homeowner is required to sign a second mortgage for the difference between the greater of the estimated fair market value of the home or its cost, and the first mortgage balance as of the transfer date. The scheduled payment on the second mortgage loan is forgiven by Habitat each time a payment is received on the first mortgage, beginning five years after the initial transfer to the homeowner. Habitat does not foresee collection of the second mortgage loans except in the event of sale or refinancing of the home by the owner.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land Held for Development

Land held for development consists primarily of residential building lots on which the low-income houses are built. Cost of land is allocated to houses sold based on the average cost of total lots per tract purchased. Each tract of land is generally expected to be used within two years.

Project Costs and Sales of Homes

Costs incurred to acquire and to develop land, whether donated or paid by Habitat, are capitalized as inventory until the land is ready for use as residential building lots. Once the development costs have been completed, the total costs incurred within a given tract of land are allocated equally based upon the total number of lots developed. The cost of the lots on which construction is taking place is removed from land held for development and included in construction in progress, which also includes the costs of materials and labor used to build the houses. Construction costs are capitalized as incurred, and are allocated to individual building projects primarily by specific identification. When a building project is completed and ownership of the home is transferred to the homeowner, the total cost capitalized for that home is removed from construction in progress and is charged to construction cost, which is included in functional expenses, classified as program services. Transfers to homeowners revenue is recorded at the amount of the mortgage the homeowner agrees to pay in return for the property. The entire cycle, from acquisition of land until completion of the home and transfer of ownership to the homeowner, typically takes place in less than two years.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided over the assets' estimated useful lives using the straight-line method. Donated property and equipment are recorded at their estimated market value at the date of the gift.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property or equipment is retired or sold, the cost and the related accumulated depreciation are removed, and the resulting gain or loss is included in the change in unrestricted net assets.

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled $17,434 and $20,487 for the years ended June 30, 2016 and 2015, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Services

Program services include construction, ReStore operations, family support and educational ministries and the discounts on mortgage obligations. The cost of home building is charged to program services upon transfer to the homeowner. Program services include the cost of homes transferred, which have an average cost per home of $155,840 and $142,888 for the years ended June 30, 2016 and 2015, respectively.

Donated Services

Unpaid volunteers make contributions of time in various administrative, fundraising and program functions. The value of contributed time is not reflected in the financial statements as it is not susceptible to objective measurement or valuation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon management's analysis.

Income Taxes

Habitat is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Accordingly, federal income taxes are not provided in the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Habitat follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. There are no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended June 30, 2013 through June 30, 2016.

Subsequent Events

Habitat evaluated subsequent events through December 1, 2016, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – CREDIT RISK AND OTHER CONCENTRATIONS

Habitat maintains its cash in bank accounts that, at times, may exceed federally insured limits. Habitat has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). Management believes Habitat is not exposed to any significant credit risk on its cash balances. Uninsured cash balances at June 30, 2016 and 2015 totaled $229,950 and $221,327, respectively.

Habitat provides housing for low-income families. These houses are funded primarily by contributions from sponsors and other supporters primarily in the Middle Tennessee area. Accordingly, substantially all sponsorships receivable are due from such supporters.

NOTE 4 – SPONSORSHIPS RECEIVABLE

Habitat has included unconditional promises to give as sponsorships receivable. Sponsorships are scheduled to be received as follows at June 30:

	2016	2015
Amount receivable within one year	$ 57,250	$ 42,827
Less allowance for uncollectible contributions	(1,955)	(1,955)
Sponsorships receivable, net	$ 55,295	$ 40,872

NOTE 5 – MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable at June 30, 2016 and 2015 consist of first and second mortgages payable related to residences built by Habitat. The mortgages are provided to the buyers at no interest in accordance with Habitat's purpose. Mortgage loans receivable have a discounted balance of $7,149,900 and $6,994,230 at June 30, 2016 and 2015, respectively.

Beginning in 2008, Habitat began requiring discounted second mortgages on residences. These mortgages are also non-interest bearing and scheduled payments are forgiven each time a payment is received on a first mortgage beginning five years after the initial transfer to homeowner. The discounted balance on second mortgages was $1,489,948 and $1,587,950 at June 30, 2016 and 2015, respectively, and is included in mortgage loans receivable and unearned revenue on second mortgage loans in the accompanying statements of financial position.

Currently, management anticipates no significant collection problems. Non-interest bearing mortgages have been discounted at various rates ranging from 4.25% to 7.81% based upon prevailing market rates at the inception of the mortgages. Discounts are amortized using the interest method over the lives of the mortgages. Maturities of the mortgage loans are as follows:

Year ending June 30,	
2017	$ 617,315
2018	613,772
2019	589,236
2020	567,353
2021	549,757
Thereafter	10,164,760
Total maturities	13,102,193
Amounts representing imputed interest	(5,952,293)
	$ 7,149,900

NOTE 6 – LAND HELD FOR DEVELOPMENT

Land held for development consists of lots to be developed as residences at June 30, 2016 and 2015. Construction does not begin until a sponsor has committed to the project. Costs incurred to improve land are capitalized when incurred. The total allocated cost of each lot is charged to construction in progress upon commencement of building activities.

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30 is as follows:

	2016	2015
Land	$ 99,000	$ 99,000
Office building	299,152	205,484
Leasehold improvements	18,978	107,396
Computer equipment	20,804	23,235
Furniture and fixtures	19,981	23,175
Automobile	115,859	121,137
	573,774	579,427
Less accumulated depreciation	(161,747)	(153,248)
	$ 412,027	$ 426,179

NOTE 8 – LINE OF CREDIT

Habitat has a revolving line of credit with a bank. The revolving line of credit bears interest at a variable rate (3.50% at June 30, 2016) and is secured by four specific mortgages. The line of credit allows borrowing up to $300,000 and expires May 2017. Outstanding borrowing under this line totaled $260,829 at June 30, 2016 and 2015, respectively.

NOTE 9 – NOTES PAYABLE

	2016	2015
Notes payable to Tennessee Housing Development Agency, non-interest bearing, payable in monthly principal installments of approximately $10,000 through January 2046, secured by thirty-eight non-interest bearing first mortgages held by Habitat, with a discounted value of $1,493,747. The note payable has an undiscounted balance outstanding of $3,330,627 at June 30, 2016. A discount rate ranging from 5.0% to 7.81% (risk adjusted rate) was applied to arrive at net present value of the notes payable at issuance. Contribution revenue of $232,966 has been recognized in 2016, to present the difference		

NOTE 9 – NOTES PAYABLE (Continued)

between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense using the interest method over the respective terms of the notes. The unamortized discount at June 30, 2016 amounted to $1,837,252.	$ 1,493,747	$ 1,389,973
Note payable to bank for office building, bearing interest at 4.75%. The note requires monthly principal and interest payments of $1,514 and matures February 2027, with a payment of approximately $144,000 due at maturity. The note is secured by the office building.	237,735	244,260
Notes payable to Avenue Bank, non-interest bearing, payable in monthly principal installments of approximately $1,700 beginning July 1, 2015, through November 2033, secured by six mortgages held by Habitat, with a discounted value of $174,854. The note payable has an undiscounted value of $210,160 at June 30, 2016. A discount rate ranging from 4.5% to 7.77% (risk adjusted rate) was applied to arrive at net present value of the notes payable at issuance. The discount is being amortized to interest expense using the interest method over the respective terms of the notes.	174,854	187,762
	$ 1,906,336	$ 1,821,995

Annual principal maturities of notes payable as of June 30, 2016 are as follows:

Year ending June 30,	
2017	$ 159,950
2018	160,286
2019	160,639
2020	160,639
2021	161,397
Thereafter	2,975,983
Total principal maturities	3,778,894
Amounts representing imputed interest	(1,872,558)
	$ 1,906,336

NOTE 10 – NET ASSETS

Temporarily restricted net assets are available for the construction of low-income housing in accordance with Habitat's mission. Temporarily restricted net assets at June 30, 2016 and 2015 were as follows:

	2016	2015
Sponsorships receivable	$ 55,295	$ 40,872
Contributions, restricted	190,690	57,550
	$ 245,985	$ 98,422

NOTE 11 – LEASE COMMITMENTS

Habitat rents warehouse space and other equipment under non-cancellable operating lease agreements. Rent expense amounted to $103,800 and $99,468 for the years ended June 30, 2016 and 2015, respectively. A summary of approximate future minimum payments under these leases as of June 30, 2016 is as follows:

Year ending June 30,	
2017	$ 98,007
2018	100,685
2019	77,246
	$ 275,938

NOTE 12 – RELATED PARTY TRANSACTIONS

On occasion, Habitat purchases goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the board of directors. Additionally, Habitat receives sponsorships from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the board of directors.

NOTE 13 – SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental cash flow information required by FASB ASC 230.

Supplemental Cash Flow Information

	2016	2015
Interest paid	$ 19,875	$ 27,040

NOTE 13 – SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

Supplemental Schedule of Non-Cash Investing and Financing Activities

Issuance of non-interest bearing mortgage loans	$ 1,374,900	$ 2,239,493
Discount on non-interest bearing mortgage loans	(834,773)	(1,091,041)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 540,127	$ 1,148,452
Loans transferred to real estate held for sale	$ 58,850	$ -

NOTE 14 – MERGER OF HABITAT FOR HUMANITY WILLIAMSON COUNTY, TENNESSEE, INC. AND HABITAT FOR HUMANITY OF MAURY COUNTY

Effective July 1, 2014, Habitat for Humanity Williamson County, Tennessee, Inc. and Habitat for Humanity of Maury County ("Maury County") merged their operations with Habitat for Humanity Williamson County, Tennessee, Inc. being the surviving entity. The underlying purpose of the merger with Maury County is to serve more families by streamlining general support services, thereby creating operating efficiencies. As a result of the merger, the legal name of Habitat was changed to Habitat for Humanity Williamson - Maury. Net assets were contributed by Maury County to Habitat as follows:

Assets transferred from Maury County:	
Cash and cash equivalents	$ 50,685
Certificates of deposit	120,000
Land held for development	21,100
Non-interest bearing mortgage loans receivable, net	1,497,018
	1,688,803
Liabilities assumed from Maury County:	
Escrow accounts	15,384
Unearned revenue on second mortgage loans	623,691
	639,075
Net assets contributed by Maury County to Habitat:	
Unrestricted	$ 1,049,728