


HABITAT FOR HUMANITY GREATER BOSTON, INC.

Financial Statements
JUNE 30, 2014
(With Comparative Totals for 2013)

 ANDBERG & CREEDEN, P.C.
Certified Public Accountants
331 Page Street
Stoughton, MA 02072

HABITAT FOR HUMANITY GREATER BOSTON, INC.

FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

Table of Contents

	<u>PAGE</u>
Independent Auditors' Report	1-2
<u>Financial Statements</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15



331 Page Street • Stoughton, MA 02072
Telephone: (781) 344-0850
Fax: (781) 344-6960
www.sandbergandcreeden.com

To the Board of Directors of
Habitat for Humanity Greater Boston, Inc.
Boston, Massachusetts

Independent Auditor's Report

We have audited the accompanying financial statements of Habitat for Humanity Greater Boston, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expense, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 representation 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.

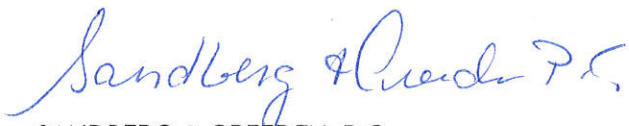
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Greater Boston, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity Greater Boston, Inc.'s 2013 financial statements, and our report dated March 17, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



SANDBERG & CREEDON, P.C.
Certified Public Accountants

Stoughton, Massachusetts
March 16, 2015



HABITAT FOR HUMANITY GREATER BOSTON, INC.

STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2014
 (WITH COMPARATIVE TOTALS FOR 2013)

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 931,139	\$ 739,592
Cash – NMTC (Note 10)	331,658	
Pledges receivable	57,878	177,929
Prepaid expenses and other current assets	20,937	25,081
Current portion of note receivable	3,619	2,688
Current portion of mortgage and notes receivable	<u>376,707</u>	<u>338,455</u>
Total current assets	1,721,938	1,283,745
<u>Property and Equipment</u>		
Office equipment	33,547	33,547
Leasehold improvements	229,289	229,289
Furniture and equipment	18,570	18,570
Vehicle	<u>22,500</u>	<u>22,500</u>
Subtotal	303,906	303,906
Less: accumulated depreciation	<u>172,512</u>	<u>133,200</u>
Total property and equipment	131,394	170,706
<u>Other Assets</u>		
Note receivable – net of current portion	160,748	163,500
Mortgage and notes receivable - net of current portion	6,642,124	6,055,954
Housing-land and construction in progress	1,173,089	1,858,214
Investment in HFH Northeast 1 Leverage Lender LLC (Note 10)	1,915,376	
Closing costs & fees (net of \$6,894 amortization) – NMTC (Note 10)	183,739	
Audit & tax fee reserve fund – NMTC (Note 10)	52,944	
Security deposits	14,872	14,872
Loan escrow	<u>13,720</u>	<u>13,720</u>
Total other assets	<u>10,156,612</u>	<u>8,106,260</u>
<u>Total Assets</u>	<u>\$ 12,009,944</u>	<u>\$ 9,560,711</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accrued expenses and accounts payable	\$ 136,625	\$ 125,581
Down payment deposits	7,000	4,000
Agency accounts	7,725	2,041
Notes payable - current portion	<u>267,458</u>	<u>262,506</u>
Total current liabilities	418,808	394,128
<u>Long-Term Liabilities</u>		
Notes payable - net of current portion	<u>3,476,706</u>	<u>936,690</u>
Total long-term liabilities	3,476,706	936,690
<u>Net Assets</u>		
Unrestricted	8,039,430	8,084,342
Temporarily restricted	<u>75,000</u>	<u>145,551</u>
Total net assets	<u>8,114,430</u>	<u>8,229,893</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 12,009,944</u>	<u>\$ 9,560,711</u>

See accompanying notes and Independent Auditors' Report.



HABITAT FOR HUMANITY GREATER BOSTON, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support and Revenue</u>				
Contributions and grants	\$ 907,995	\$ 55,200	\$ 963,195	\$ 1,624,292
In kind contributions	485,950		485,950	590,334
Special events	262,126		262,126	244,768
Released from restriction	125,751	(125,751)		
Restore	348,997		348,997	238,383
Sale of property	888,000		888,000	1,019,000
Imputed interest	107,049		107,049	293,247
Interest/dividend income	8,510		8,510	5,140
<u>Total Support and Revenue</u>	3,134,378	(70,551)	3,063,827	4,015,164
<u>Expenses</u>				
Program services				
Family services expenses	223,840		223,840	215,777
Pre/post conveyance expenses	1,767,023		1,767,023	1,778,081
Restore	736,164		736,164	535,771
Total program services	2,727,027		2,727,027	2,529,629
General and administrative	257,179		257,179	179,226
Fundraising	195,084		195,084	170,342
<u>Total Expenses</u>	3,179,290		3,179,290	2,879,197
<u>Change in Net Assets</u>	(44,912)	(70,551)	(115,463)	1,135,967
<u>Net Assets - Beginning of Year</u>	8,084,342	145,551	8,229,893	7,093,926
<u>Net Assets - End of Year</u>	\$ 8,039,430	\$ 75,000	\$ 8,114,430	\$ 8,229,893

See accompanying notes and Independent Auditors' Report.





HABITAT FOR HUMANITY BOSTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
 (With Comparative Totals for 2013)

	2014					2013	
	Family Services Expenses	Pre/Post Conveyance Expenses	Restore	Total Program Expenses	General and Administrative Expenses	Fundraising Expenses	Total
Salaries	\$ 133,081	\$ 258,094	\$ 187,127	\$ 578,302	\$ 89,790	\$ 92,279	\$ 760,371
Payroll Tax	11,543	22,386	16,230	50,159	7,788	8,004	65,951
Benefits	12,171	23,604	17,113	52,888	8,212	8,439	69,539
Salaries and related expense	<u>156,795</u>	<u>304,084</u>	<u>220,470</u>	<u>681,349</u>	<u>105,790</u>	<u>108,722</u>	<u>895,861</u>
Advertising		1,500	17,965	19,465		3,085	22,550
Amortization closing costs		6,894		6,894			6,894
Applicant costs	2,319	1,647		3,966			3,966
Bad debt expense		264	9,041	9,917	3,698		13,615
Bank Charges	612	72	100	386			386
Bonds & permits	214						
Consultants	2,500			2,500	65,438	4,125	72,063
Cost of Goods Sold			346,147	346,147			346,147
Cost of homes sold		1,109,332		1,109,332			1,109,332
Depreciation	1,103	1,182		2,285	35,845	1,182	39,312
Dues, fees and subscriptions		33,099		33,099	1,015		34,114
Equipment rental	450	8,074	108	8,632			8,632
Insurance		15,587		15,587			15,587
Interest		52,329		52,329			52,329
Miscellaneous	1,403	331		1,734	1,325	1,882	4,941
Office supplies	5,278	6,083	807	12,168	3,005	2,235	17,408
Payroll services	864	1,652	733	3,249	212	651	4,112
Postage	3,703	2,594	1,960	8,257	2,478	17,422	28,157
Printing		4,950	147	5,097	3,222	5,233	13,552
Professional fees		73,195		73,195	14,060		87,255
Real estate taxes		12,826		12,826			12,826
Rent		11,169	85,472	129,626	9,620		152,990
Repairs and maintenance	32,985	5,841	512	6,353		13,744	16,820
Security		31,290		31,290			31,290
Site cleaning and disposal		7,403	2,266	9,669			9,669
Special events	593	15		608		31,471	32,079
Staff trainings	946	2,407	400	3,753	428	633	4,814
Tithe expense	148	31,568		31,716			31,716
Truck expenses		8,251	22,921	31,172			31,172
Telephone and information technology	5,017	2,356	2,468	9,841	1,507	2,205	13,553
Travel	4,564	10,812	4,166	19,542	1,286	1,479	22,307
AmeriCorps Program Participants	2,007	10,830		12,837			12,837
Utilities	2,339	9,386	20,481	32,206	633	1,015	33,854
Total	<u>\$ 223,840</u>	<u>\$ 1,767,023</u>	<u>\$ 736,164</u>	<u>\$ 2,727,027</u>	<u>\$ 257,179</u>	<u>\$ 195,084</u>	<u>\$ 3,179,290</u>
							<u>\$ 2,879,197</u>

See accompanying notes and Independent Auditors' Report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (115,463)	\$ 1,135,967
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,312	42,033
Amortization closing costs	6,894	
Donated construction costs	(66,608)	(213,546)
Imputed interest expense	(107,049)	(293,247)
Bad debt expense		13,000
(Increase) in:		
Pledges receivable	120,051	182,177
Prepaid expenses and other current assets	4,144	16,178
Increase (decrease) in:		
Accrued expenses and accounts payable	11,044	(38,245)
Deposits and escrows	3,000	(6,685)
Agency accounts	<u>5,684</u>	<u> </u>
<u>Net Cash Provided (Used) in Operating Activities</u>	<u>(98,991)</u>	<u>837,632</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of fixed assets	(52,944)	
Loan escrows		3,000
Closing costs incurred	(190,633)	
Construction of housing and improvements	(2,272,975)	(106,402)
Construction conveyed	1,109,332	747,565
Mortgage receivable from sale of housing and property	(888,000)	(999,000)
Collection of Mortgage notes receivable	372,448	310,884
Land purchase deposit	<u> </u>	<u>(10,000)</u>
<u>Net Cash (Used) in Investing Activities</u>	<u>(1,922,772)</u>	<u>(53,953)</u>
<u>Cash Flows From Financing Activities</u>		
Principal payments on notes and loans	(222,952)	(239,898)
Proceeds notes and loans	<u>2,767,920</u>	<u>63,000</u>
<u>Net Cash Provided by (Used) in Financing Activities</u>	<u>2,544,968</u>	<u>(176,898)</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	523,205	606,781
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>739,592</u>	<u>132,811</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 1,262,797</u>	<u>\$ 739,592</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 56,333</u>	<u>\$ 43,538</u>

See accompanying notes and Independent Auditors' Report.



HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Note 1. Organization

Habitat for Humanity Greater Boston, Inc. (HFHGB) is a charitable nonprofit Massachusetts corporation organized in December 1987. It is an affiliate of Habitat for Humanity International (HFHI), an organization with a grassroots structure which is dedicated to eliminating poverty housing from the earth and making poverty housing and homelessness socially and politically unacceptable in the world. HFHGB's mission is to help low-income families become homeowners in the Greater Boston area using the Habitat model of volunteer labor, donated materials and charitable contributions to construct housing. Each Habitat family helps build their home by providing at least 300 hours of "sweat equity." When the home is complete Habitat sells it to the family for an affordable price which is equal to or less than the final accumulated development cost and also provides the family with a no-interest mortgage loan. HFHGB is responsible for raising funds for all of its projects, its annual operating budget and for "tithing" 10% of its unrestricted revenues to HFHI projects overseas.

In 2011, the Organization opened up the Habitat ReStore. The Habitat ReStore is a retail business that accepts donations of new and gently-used building materials, furniture, appliances, and housewares and resells them to the general public through a retail storefront warehouse. ReStores help to protect the environment by keeping hundreds of tons of material out of our landfills and in this tight economy they provide a low-cost outlet for home improvement materials making home renovations and improvements more affordable.

Note 2. Summary of Significant Accounting Policies

a. Standards of Accounting and Reporting

The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations".

b. Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. No permanently restricted assets were received or held during 2014 and 2013 and accordingly, these financials do not reflect any activity related to this class of net assets for 2014 and 2013.



HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- c. Cash and Cash Equivalents
For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Escrows required by financing arrangements are not considered cash or cash equivalents for financial statement purposes.
- d. Promises to Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.
- e. Property and Equipment
These assets are recorded at cost when purchased or, if donated, at their estimated fair market value at the date of the donation. All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs and betterments that materially prolong the useful lives of assets are capitalized.
- f. Depreciation/Amortization
Provisions for depreciation are made in the accounts using the straight-line method. Building improvements and the buildings to be conveyed to qualified buyers are not depreciated. Other fixed assets are depreciated over 5 to 7 years.

Amortization of closing costs are made using the straight-line method over the estimated life of the loan repayment.
- g. Capitalization of Construction Costs
Construction expenses, which represent a significant portion of the Organization's operating budget, are capitalized pursuant to generally accepted accounting principles for financial statement purposes. Consequently, construction expenses are not shown as program expenses until conveyed.
- h. Housing Activities
As discussed above, HFHGB is a charity engaged in providing homeownership opportunities to low-income families living or working in the Greater Boston area. Upon completion of construction, the home is conveyed to a selected family for an affordable price which is equal to or less than the final accumulated development cost. HFHGB takes back a note for the purchase price at 0% interest and the note is secured by a first mortgage on the home. HFHGB takes back a second note, secured by a second mortgage, for the difference between the sale price of the home and its fair market value as determined by an independent appraisal.



HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- i. Restricted and Unrestricted Support and Revenue
Contributions that are restricted by the donor 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 and reported in the Statement of Activities as net assets released from restrictions.
- j. Contributed Goods and Services
Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HFHGB.

In-kind contributed goods and services were recorded as follows:

	<u>2014</u>	<u>2013</u>
Professional fees (non-capital)	\$ 73,195	\$ 134,853
Professional fees (capital)	66,608	213,546
Cost of goods - ReStore	<u>346,147</u>	<u>241,935</u>
	<u>\$ 485,950</u>	<u>\$ 590,334</u>

In addition, HFHGB received other donated materials and supplies and the services of a substantial number of volunteers. These goods and services are not recognized as contributions in the financial statements since the criteria under SFAS No. 116 were not met. In the case of volunteers, whether construction related, administrative or Board Members, it is the policy of Habitat for Humanity Greater Boston, Inc. not to recognize the value of these services in the financial statements. While there are volunteers serving many needs of the Organization, it is not practical to quantify the value of these commercial services.

- k. Compensated Absences
Vacation and sick pay are considered expenditures in the year paid. The Organization has not accrued compensated absences because the amount cannot be reasonably estimated.
- l. Use of Estimates
The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- m. Allocation of Expenses
Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.
- n. Summarized Comparative Financial Statements
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Note 3. Tax Status

Habitat for Humanity Greater Boston, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under a group exemption obtained by Habitat for Humanity International, Inc. (Atlanta, Georgia). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Unrelated business income, of which the Organization had none for the year ending June 30, 2014, would be subject to Federal and State taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Accounting principles generally accepted in the United States of America require the Organization management to evaluate tax positions taken by the Organization and recognize a tax liability (or assets) if it has taken an uncertain position that more likely would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken and has concluded that as of June 30, 2014, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The tax returns are subject to routine audits by taxing jurisdictions, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for the years prior to 2011.

Note 4. Concentration of Credit Risk

The Organization maintains its cash balance in three financial institutions. Each account is insured by the Federal Deposit Insurance Corporation up to a \$250,000 balance. At June 30, 2014 the Organization's uninsured cash balance totaled \$728,886

Credit risk with respect to pledged contributions is considered low as the balance has either been received or from well-established entities.



HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 5. Cash Held for Investment

At June 30, 2014 the Organization held \$331,658 in a separate account restricted for investment in the New Market Tax Credit Financing Program. That investment was completed by December 31, 2014 as required by investment covenants (see footnote 10).

Note 6. Pledges Receivable

At June 30, 2014 the Organization had pledged contributions as follows:

Due FY 2015	<u>\$ 57,878</u>
-------------	------------------

Note 7. Notes Receivable

The Organization is due funds under a note receivable dated May 18, 2009 totaling \$177,267 from an individual purchasing the commercial unit at Blue Hill Place. The note is secured by a mortgage, assignment of leases and rents and security agreement. The note was adjusted in FY2011. The note required monthly payments plus interest adjusted annually each July with a balloon payment for the outstanding balance due July 2015. Payments are due as follows:

Principal Due	
FY2015	\$ 3,619
FY2016	<u>160,748</u>
Total Principal Due	<u>\$164,366</u>

Note 8. Mortgage Receivable

At conveyance of a unit to a homeowner, HFHGB receives a 20 to 35-year mortgage note with 0% interest. The amount reported in the statement of financial position is net of imputed interest. The rate used to calculate the imputed interest is the market rate at the time of conveyance (currently 7%). The following is a summary of the notes receivable at June 30:

Total unpaid balance	\$ 6,305,479
Imputed interest	<u>713,352</u>
Net present value of mortgage notes	<u>\$ 7,018,831</u>
Current portion	\$ 376,707
Long-term portion	<u>6,642,124</u>
Total	<u>\$ 7,018,831</u>

Estimated principal payments for the next five years:

2015	\$ 376,707
2016	356,097
2017	353,465
2018	350,408
2019	347,461
Thereafter	5,234,693



HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

(Continued)

Note 9. Housing Activities

The following provides a summary of the Habitat for Humanity Greater Boston, Inc.'s construction and housing activities:

<u>Housing Units</u>	
Units Conveyed, subject to Mortgage Loans Serviced by Bank	69
Units under renovation	3
Housing Units under Construction	<u>9</u>
Total	<u>81</u>

Note 10. New Markets Tax Credit Financing

During fiscal year 2014, HFHGB embarked on a series of transactions with Citibank (the "Investor"), Habitat for Humanity International, Inc. (HFHI), Habitat for Humanity of Coastal Fairfield County, Inc. (HFHCFC) and Patterson Habitat for Humanity, Inc. (PHFH) to effectuate a New Markets tax credits structure to assist with the construction of Habitat homes in certain low-income neighborhoods. The involvement of New Markets tax credits allows for larger net proceeds than would otherwise be available under classic financing. HFHGB, HFHCFC and PHFH each invested in HFH Northeast Leverage Lender, LLC (the "LLC") to leverage the capital contribution of the Investor into a new entity set up for this purpose. The LLC then invested in Citi NMTC Subsidiary CDE XVI (the "CDE"). The CDE received allocations of New Markets tax credits (NMTC) pursuant to Section 45D of the internal Revenue Code in order to assist eligible businesses in making investments in certain low-income communities. The effect of HFHGB's \$1,915,375 investment in the LLC is to effectively avail itself of \$2,454,146 in funds net of fees and transaction costs for the construction of Habitat homes in certain Boston neighborhoods.

As part of the NMTC transaction HFHGB received cash in the amount of \$538,771 which must be spent within 12 months on construction costs for the NMTC properties. Closing costs and other fees are being amortized over the life of the various agreement lives as follows and totaled \$6,894 for the year ended June 30, 2014:

Closing Costs & servicing fees	\$122,756	360 months
HGHI guarantor fee	67,877	84 months
Audit & tax fee reserve fund	57,017	7 years

On December 31, 2020, the Investor has a right and option, but not an obligation, for a period of six months, to require Habitat NMTC Management LLC (Habitat NMTC) to purchase all the Investor's interest for a put exercise price of \$1000. If the put is not exercised, then Habitat NMTC has the right to purchase the Investor's interest for fair market value, as determined by an independent appraiser.



HABITAT FOR HUMANITY GREATER BOSTON, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

(Continued)

Note 11. Notes Payable

	2014		2013	
	Short-Term	Long-Term	Total	Total
<u>Habitat for Humanity International (FlexCap):</u>				
Loan pool to affiliates, secured by collateral assignments of mortgages on eight mortgage loans receivable dated 06/23/2011 amended December 12, 2013; totaling \$335,200; 3.8% interest; seven year term; quarterly payments of \$13,691 due December 2018.	\$ 43,443	\$ 270,645	\$ 314,088	\$ 241,763
<u>Dedham Institution for Savings:</u>				
Line of credit for development of Arrowhead Project dated 9/19/2003; maximum \$500,000; 0% interest; 36 month term; 42 month pay-down required; extended to July 13, 2014 at 3% maximum. Extension in process with similar terms.	158,635	121,991	280,626	404,019
<u>Massachusetts Housing Finance Agency:</u>				
Loan dated November 29, 2001 totaling \$300,000 secured by five property loans conveyed to buyers; at a rate of 2.5%; at 6/30/08 requiring monthly payments of \$2,000 fully amortizing, final payment due May 2023.	21,847	34,392	56,239	78,535
Loan dated April 2, 2008 totaling \$600,000 secured by five property loans conveyed to buyers; at a rate of 2.5%; requiring monthly payments of \$158 due to balance outstanding; due May 2023. In April 2010, an additional \$560,000 was drawn down.	43,533	381,388	424,921	467,379
<u>Lawrence Model Lodging Houses Trust</u>				
Loan dated May 21, 2008 totaling \$7,500 at zero interest due on sale of 31 Ashton Street or within three (3) years. Extension In process.		7,500	7,500	7,500



HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 11. Notes Payable (Continued)

	2014			2013
	Short-Term	Long-Term	Total	Total
<u>Habitant for Humanity International New Market Leveraged Lending</u>				
As part of the New Markets tax credit structure described in Note 10, HFHGB entered into a Loan Agreement and Promissory Note with the CDE in the amount of \$2,660,790; providing for 30 year amortization, fixed interest rate of 1.03%, semi-annual interest only payments of \$13,699 for the first eight years, then \$65,111 semi-annual payments of principal and interest until maturity date of December 30, 2043. The loan is secured by collateral assignments of various accounts established as part of the New Markets tax credits structure.				
Total Notes Payable	\$ 267,458	2,660,790 \$ 3,476,706	2,660,790 \$ 3,744,164	7,500 \$ 1,199,196

Principal payments due over the next five years:

2015	\$ 267,458
2016	242,154
2017	104,100
2018	95,582
2019	98,644
Thereafter	2,932,072

Note 12. Temporarily Restricted

Temporarily restricted net assets at June 30, 2014 consist of the following:

	Total
Time – FY2014	\$ 75,000

Note 13. Tax-Deferred Annuity Plan

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers any employees electing to participate and is entirely funded with employee contributions up to the maximum amount allowed by the Internal Revenue Code.



HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 14. Lease Commitments

In 2008, the Organization entered into a five year lease agreement expiring January 2013 with an additional five year option to renew. The lease required a \$5,000 security deposit plus the last month rent of \$5,628 in advance. On January 31, 2015 the Organization entered into an extension of the lease with a fixed monthly rental rate of \$5,600 through January 31, 2020. In addition they are responsible for 14% of their operating costs and real estate taxes. Total rent expense under this lease amounted to \$66,318 for both years 2014 and 2013. Future minimum lease payments are as follows:

FY2015	\$ 66,248
FY2016	67,200
FY2017	67,200
FY2018	67,200
FY2019	67,200
FY2020	39,200

On August 1, 2010, the Organization entered into an agreement for the third floor at 240 Commercial Street as a tenant-at-will basis. Rent was stated at \$600 per month with a 60 day notice to terminate. Total rent expenses under this lease amounted to \$1,200 and \$7,200 for 2014 and 2013, respectively. The agreement was terminated in August, 2014.

On September 1, 2010, the Organization entered into a 5 year lease agreement for the located of the ReStore. The lease required \$8,489 upon the execution of the lease, \$4,245 for the first month's rent and \$4,245 which will be held as a security deposit that will be refunded to the Organization at the end of the lease. In addition, the Organization shall pay the real estate taxes levied against the land and building, and the cost of the insurance premiums on the Building and Shopping Center. Total rent expense under this lease amounted to \$67,519 and \$67,719 for 2014 and 2013, respectively. Future minimum lease payment is as follows:

2015	\$ 63,670
2016	10,612

Note 15. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through April 28, 2015 the date the financial statements were available to be issued.

In December 2014, the Organization completed their required investment with the restricted cash balance as identified in Footnote 10.)

In December, 2014, the Organization purchased an additional development property for approximately \$91,000.

