

**HABITAT FOR HUMANITY OF NEW CASTLE
COUNTY, INC.**

Financial Statements

June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of New Castle County, Inc.
Wilmington, Delaware

Report on Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities 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.

Auditors' 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 and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 of New Castle County, Inc. as of June 30, 2015, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016, on our consideration of Habitat for Humanity of New Castle County, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of New Castle County, Inc.'s internal control over financial reporting and compliance.

Prior Year Financial Statements

The financial statements as of June 30, 2014, were audited by Cetrulo & Morgan Group, LLC, who merged with Stephano Slack LLC as of September 1, 2014, and whose report dated September 10, 2014, expressed an unmodified opinion on those statements.

Prior Year Financial Statements

We also have audited the adjustments described in Note 17 that were applied to restate the 2014 financial statements to correct an error. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements taken as a whole.


Stephano Slack LLC

February 10, 2016
Wilmington, Delaware

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
Statements of Financial Position
June 30, 2015 and 2014

	2015	(As Restated) 2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,119,421	\$ 1,454,266
Restricted Cash and Cash Equivalents	60,055	43,030
Accounts Receivable	9,017	16,996
Pledges and Grants Receivable, Net of Discount	109,176	753,626
Prepaid Expenses	819	40,335
Inventories	138,717	208,878
Non-Interest Bearing Mortgages Receivable, Current Portion	149,270	149,469
TOTAL CURRENT ASSETS	1,586,475	2,666,600
Non-Interest Bearing Mortgages Receivable		
Non-Interest Bearing Mortgages Receivable, Net of Current Portion	4,743,789	4,251,183
Discount on Non-Interest Bearing Mortgages Receivable	(2,804,900)	(2,290,194)
Non-Interest Bearing Mortgages Receivable Receivable, Net of Current Portion	1,938,889	1,960,989
Property and Equipment, Net of Accumulated Depreciation	809,297	734,020
Other Assets		
Restricted Cash and Cash Equivalents	114,972	114,742
Intangible Assets, Net of Accumulated Amortization	68,166	75,470
Investments in Endowment Fund	510,118	443,830
Investments in Joint Venture HFHI-SA Leverage III, LLC	2,453,507	2,414,683
Construction In Progress, Net of Accrued Subsidies	1,717,463	901,668
TOTAL OTHER ASSETS	4,864,226	3,950,393
TOTAL ASSETS	\$ 9,198,887	\$ 9,312,002
LIABILITIES		
Current Liabilities		
Notes Payable, Current Portion	\$ 103,496	\$ 68,552
Accounts Payable	144,538	150,833
Accounts Payable, Related Party	29,309	27,861
Accrued Expenses	6,343	2,601
Accrued Interest	3,736	1,868
Affordable Gap Liability	197,497	197,497
Deferred Revenue	17,500	0
TOTAL CURRENT LIABILITIES	502,419	449,212
Long-Term Liabilities		
Notes Payable, Net of Current Portion	3,121,213	3,163,369
TOTAL LIABILITIES	3,623,632	3,612,581
NET ASSETS		
Net Assets		
Unrestricted	4,868,892	5,113,103
Temporarily Restricted	606,363	486,318
Permanently Restricted	100,000	100,000
TOTAL NET ASSETS	5,575,255	5,699,421
TOTAL LIABILITIES AND NET ASSETS	\$ 9,198,887	\$ 9,312,002

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
Statement of Activities
For the Year Ended June 30, 2015

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
Support and Revenues				
Contributions and Grants	\$ 457,588	\$ 738,479	\$ 0	\$ 1,196,067
Transfers to Homeowners	740,036	0	0	740,036
Non-Cash Donations for Resale at ReStore	984,728	0	0	984,728
Merchandise and ReStore Revenues	1,054,969	0	0	1,054,969
Merchandise and ReStore Expenses	(1,752,063)	0	0	(1,752,063)
Event Income	69,579	0	0	69,579
Event Expenses	(40,027)	0	0	(40,027)
Other Revenues	5,935	0	0	5,935
Mortgage Loan Discount Amortization	116,614	0	0	116,614
Interest Income	3,358	0	0	3,358
Unrealized Gain on Investment in Joint Venture HFHI-SA Leverage III, LLC	61,239	0	0	61,239
Investment Income, Net of Fees	(4,124)	0	0	(4,124)
	<u>1,697,832</u>	<u>738,479</u>	<u>0</u>	<u>2,436,311</u>
Net Assets Released From Restrictions	<u>618,434</u>	<u>(618,434)</u>	<u>0</u>	<u>0</u>
TOTAL SUPPORT AND REVENUES	<u>2,316,266</u>	<u>120,045</u>	<u>0</u>	<u>2,436,311</u>
Expenses				
Operating Expenses				
Program Services	2,103,313	0	0	2,103,313
Supporting Services				
Management and General	210,008	0	0	210,008
Fundraising	247,156	0	0	247,156
TOTAL OPERATING EXPENSES	<u>2,560,477</u>	<u>0</u>	<u>0</u>	<u>2,560,477</u>
(DECREASE) INCREASE IN NET ASSETS	<u>(244,211)</u>	<u>120,045</u>	<u>0</u>	<u>(124,166)</u>
Net Assets, Beginning of Year, As Restated	<u>5,113,103</u>	<u>486,318</u>	<u>100,000</u>	<u>5,699,421</u>
NET ASSETS, END OF YEAR	<u>\$ 4,868,892</u>	<u>\$ 606,363</u>	<u>\$ 100,000</u>	<u>\$ 5,575,255</u>

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Statement of Activities

For the Year Ended June 30, 2014

	(Restated) Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	(As Restated) Total Funds
Support and Revenues				
Contributions and Grants	\$ 53,849	\$ 1,152,374	\$ 0	\$ 1,206,223
Transfers to Homeowners	2,203,202	0	0	2,203,202
Non-Cash Donations for Resale at ReStore	783,011	0	0	783,011
Merchandise and ReStore Revenues	719,952	0	0	719,952
Merchandise and ReStore Expenses	(1,303,024)	0	0	(1,303,024)
Event Income	192,728	0	0	192,728
Event Expenses	(71,597)	0	0	(71,597)
Other Revenues	7,839	0	0	7,839
Mortgage Loan Discount Amortization	1,064,400	0	0	1,064,400
Interest Income	896	0	0	896
Unrealized Gain on Investment in Joint Venture HFHI-SA Leverage III, LLC	61,239	0	0	61,239
Investment Income, Net of Fees	45,134	0	0	45,134
	3,757,629	1,152,374	0	4,910,003
Net Assets Released From Restrictions	865,248	(865,248)	0	0
TOTAL SUPPORT AND REVENUES	4,622,877	287,126	0	4,910,003
Expenses				
Operating Expenses				
Program and Services	5,677,803	0	0	5,677,803
Supporting Services				
Management and General	211,503	0	0	211,503
Fundraising	263,234	0	0	263,234
TOTAL OPERATING EXPENSES	6,152,540	0	0	6,152,540
(DECREASE) INCREASE IN NET ASSETS	(1,529,663)	287,126	0	(1,242,537)
Net Assets, Beginning of Year, As Restated	6,642,766	199,192	100,000	6,941,958
NET ASSETS, END OF YEAR, AS RESTATED	\$ 5,113,103	\$ 486,318	\$ 100,000	\$ 5,699,421

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

	2015	(As Restated) 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (124,166)	\$ (1,242,537)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Flows Used by Operating Activities		
Depreciation Expense	54,825	49,049
Amortization Expense	7,304	7,304
Investment Loss (Income), Net of Fees	4,124	(45,134)
Unrealized Gain on Investment in Joint Venture HFHI-SA Leverage III, LLC	(61,239)	(61,239)
Net Mortgage Discounts Issued	631,320	735,919
Discount on Mortgages Sold	0	925,811
Mortgage Loan Discount Amortization	(116,614)	(1,064,400)
Mortgage Foreclosures	98,160	0
Transfer to Homeowners	(740,036)	(2,203,202)
Decrease (Increase) in Assets		
Accounts Receivable	7,979	10,374
Pledges and Grants Receivable	644,450	(166,879)
Prepaid Expenses	39,516	(19,262)
Inventories	70,161	(64,851)
Restricted Cash and Cash Equivalents	(17,025)	19,753
Construction In Progress, Net of Accrued Subsidies	(815,795)	2,166,492
Increase (Decrease) in Liabilities		
Accounts Payable	(6,295)	(44,887)
Accounts Payable, Related Party	1,448	7,071
Accrued Expenses	3,742	16,458
Accrued Interest	1,868	(62)
Deferred Revenue	17,500	0
NET CASH FLOWS USED BY OPERATING ACTIVITIES	(298,773)	(974,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage Payments Received	149,469	326,792
Payments Received From Sale of Mortgages	0	1,148,947
Purchase of Property and Equipment	(130,102)	(20,359)
Deposits to Investments in Endowment Fund	(70,412)	(91,788)
Interest Earned and Retained in Restricted Cash and Cash Equivalents	(230)	(239)
Distributions From Investment in Joint Venture HFHI-SA Leverage III, LLC	22,415	22,416
NET CASH FLOWS (USED) PROVIDED BY INVESTING ACTIVITIES	(28,860)	1,385,769
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Capital Lease	0	(255)
Repayments of Notes Payable	(7,212)	(1,872)
NET CASH FLOWS USED BY FINANCING ACTIVITIES	(7,212)	(2,127)
NET (DECREASE) INCREASE IN CASH	(334,845)	409,420
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,454,266	1,044,846
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,119,421	\$ 1,454,266
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid During the Year for Interest	\$ 24,403	\$ 22,359
<u>Supplemental Schedule of Non-Cash Operating, Investing, and Financing Activities</u>		
Net Reduction in Mortgage Receivables Through Receivable Swap to Satisfy Delinquent Mortgage Re-Purchase	\$ 0	\$ 929,380

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 1 - Nature of Activity

Habitat for Humanity of New Castle County, Inc., a nonprofit organization (the "Organization") was incorporated in 1986. The Organization is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational, Christian, nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization also provides its "A Brush With Kindness" ("ABWK") program. ABWK is a nation-wide effort to serve low-income homeowners who struggle to maintain the exterior of their homes. Groups of volunteers work alongside the homeowner to revitalize a home's exterior.

The Organization operates a ReStore. The ReStore is a retail outlet where quality used and surplus building materials, furniture, and appliances are sold at a fraction of normal prices. The materials sold by the ReStore are usually donated from building supply stores, contractors, demolition crews or from individuals who wish to show their support for the Organization. In addition to raising funds, the ReStore helps the environment by rechanneling good, usable materials into use. The proceeds from the ReStore helps the Organization fund the construction of houses within the community. The ReStore is a department of the Organization and not a separate legal entity.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

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.

Financial Statement Reporting - As required by the *Financial Statements of Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification No. 958 ("FASB ASC 958"), 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. In addition, the Organization presented statements of cash flows.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2 - Summary of Significant Accounting Policies (continued)

Financial Statement Reporting (continued)

Unrestricted Net Assets - The unrestricted net assets are those which are neither permanently restricted nor temporarily restricted for a specific purpose or purposes, and which are available for the general operations of the Organization.

Temporarily Restricted Net Assets - Operating funds restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues when the Organization has incurred expenditures in compliance with the specific restrictions, or as a result of the passage of time restricting the use of the funds. Donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets released from restrictions.

Permanently Restricted Net Assets - Permanently restricted funds are restricted by the donor to be maintained in perpetuity for the use of the donee Organization. Generally, the donors of these funds permit the donee Organization to use all or part of the income earned on related investments for general or specific purposes. Accumulated unexpended investment gains on permanently restricted funds are considered temporarily restricted until such accumulated gains are spent, temporarily restricted net assets are then reclassified and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

The Organization maintains cash balances at various financial institutions. Both interest and non-interest bearing accounts with the same insured depository institution will be insured by the Federal Deposit Insurance Corporation for a combined total of \$250,000. In the normal course of business, the Organization may have deposits that exceed the insured balance in its interest and non-interest bearing accounts.

Accounts Receivable - Accounts receivable are carried at cost. The Organization does not accrue finance or interest charges. On a periodic basis, management evaluates its accounts receivable based on the history of past write-offs and collections. An account is written off when it is determined that all collection efforts have been exhausted.

The Organization uses the specific write-off method to provide for doubtful accounts since experience and management's estimation indicate an adequate allowance for such amounts is immaterial.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2 – Summary of Significant Accounting Policies (continued)

Pledges and Grants Receivable - Unconditional pledges receivable are recognized as revenues or gains in the period received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. Provisions for uncollectible receivables are offset against contributions when determined to be uncollectible by management. It is the opinion of management that the expense computed under this method is not materially different than what the expense would be if the allowance method were used. There were no long-term pledges as of June 30, 2015 and 2014.

Fair Value of Financial Instruments - The *Fair Value Measurement* Topic of the Financial Accounting Standards Board Accounting Standards Codification No. 820 ("FASB ASC 820") provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The carrying amounts for cash and cash equivalents, receivables, prepaid expenses, payables, accrued expenses, and deferred revenue approximate their fair value because of their short-term maturity. The carrying value amount of long-term debt approximates its fair value since the Organization's interest rates approximate current interest rates.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Endowment Fund, Pooled Separate Accounts - Valued at the net asset value (NAV) of units held by the Organization at year-end based on the market value of its underlying investments. Although the pooled separate accounts are not available in an active market, the NAV of the units are approximated based on the quoted prices of the underlying investments that are traded in an active market.

Investment in Joint Venture - The investment in joint venture is accounted for using the equity method. Under the equity method, the initial investment is recorded at cost and is subsequently increased or decreased by its share of income or loss and increased or decreased by the amount of any contributions made or distributions received.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Investment in Pooled Separate Accounts	\$ 0	\$ 510,118	\$ 0	\$ 510,118
Investment in Partnership	0	0	2,453,507	2,453,507
TOTAL INVESTMENTS AT FAIR VALUE	\$ 0	\$ 510,118	\$ 2,453,507	\$ 2,963,625

	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Investment in Pooled Separate Accounts	\$ 0	\$ 443,830	0	443,830
Investment in Partnership	0	0	2,414,683	2,414,683
TOTAL INVESTMENTS AT FAIR VALUE	\$ 0	\$ 443,830	\$ 2,414,683	\$ 2,858,513

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the years ended June 30:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2015	2014
Beginning Balance	\$ 2,414,683	\$ 2,375,860
Unrealized Gain	61,239	61,239
Distributions	(22,415)	(22,416)
Ending Balance	\$ 2,453,507	\$ 2,414,683

Inventories - Inventories are valued at the lower of cost or market, with cost determined by the first-in, first-out method.

Mortgages Receivable - Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

Because mortgages receivable are secured by real estate, and ultimately through the process of foreclosure, management believes that procedures will result in collection. Accordingly, no allowance for uncollectible accounts has been provided.

Property and Equipment - Property and equipment acquired by the Organization is considered owned by the Organization and is valued at cost. Donated property and equipment acquired by the Organization is considered owned by the Organization and is valued at fair market value at the time of the donation. Depreciation is provided on the straight-line method. Maintenance and minor repairs are charged to operations when incurred. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in current operations.

The estimated useful lives for depreciation are:

Automobiles	5 Years
Buildings and Improvements	7 - 39 Years
Equipment, Furniture, and Software	3 - 7 Years

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets - As required by the *Property, Plant, and Equipment* Topic of the FASB Accounting Standards Codification No. 360 ("FASB ASC 360"), long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell. There was no impairment loss as of June 30, 2015 and 2014.

Intangible Assets - As required by the *Intangibles - Goodwill and Other* Topic of the FASB Accounting Standards Codification No. 350 ("FASB ASC 350"), intangible assets consist of loan origination fees which is being amortized over its estimated useful life of 15 years using the straight-line method.

Construction in Progress - Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

Construction in progress is carried at cost less accrued subsidies. Cost includes initial acquisition and all subsequent costs to develop the property. It is not the Organization's intent to earn a profit selling developed property. Generally, sales are at a loss. The Organization considers losses incurred to be a subsidy to the respective buyer. However, in accordance with accounting principles generally accepted in the United States of America, the Organization records a provision of estimated losses on construction in progress in the period such losses are determined. These estimated losses are recorded on the statements of financial position as accrued subsidies included in the cost of construction incurred. As of June 30, 2015 and 2014, accrued subsidies on construction in progress were \$1,759,505 and \$1,687,348, respectively.

Contributions and Grants - All contributions and grants 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 specified purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When temporary restrictions expire, temporarily restricted net assets become unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Revenue Recognition- Contributions received are recorded as unrestricted, temporarily, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets. When a temporary restriction expires, the net assets are reclassified to unrestricted net assets as net assets released from restrictions in the statements of activities.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 2 - Summary of Significant Accounting Policies (continued)

Donated Services - The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services and support services. No amounts have been recognized in the statements of activities because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Donated Inventory - The Organization received non-cash contributions from donors in the amount of \$984,728 and \$783,011 for the years ended June 30, 2015 and 2014, respectively. These non-cash items were provided to the ReStore for resale to support the Organization's mission.

Transfers to Homeowners - Transfers to homeowners are recorded at the gross mortgage amount plus down payment received. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

Home Construction Costs - Costs incurred in conjunction with home construction are capitalized as construction in progress. Capitalized construction costs are expensed when ownership transfers to the homeowners. Any post-settlement costs are expensed as incurred.

Functional Allocation of Expenses - The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is exempt from Federal Income Tax under Internal Revenue Code Section 501 (c) (3). However, a Form 990, *Return of Organization Exempt from Income Taxes*, is required to be filed each year. The Organization complies with other Internal Revenue Service reporting requirements regarding contributions received and payments to independent contractors.

The Organization has evaluated the effects of the *Income Taxes* Topic of the FASB Accounting Standards Codification, No. 740 ("FASB ASC 740") and have concluded that the Organization recognizes tax benefits only to the extent that the Organization believes it is "more likely than not" that its tax positions will be sustained upon a taxing authorities examination. The Organization's management believes it is no longer subject to income tax examinations for years prior to 2011.

Reclassification - Certain reclassifications have been made to the 2014 financial statements to provide comparability with the current period's presentation. The reclassifications have no effect on the change in net assets for the year ended June 30, 2014.

NOTE 3 - Restricted Cash and Cash Equivalents

At June 30, 2015 and 2014, the Organization held \$60,055 and \$43,030, respectively, in separate bank accounts as a condition of the loan agreement to pay fees related to the Citi First Capital 21, LLC loan.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 3 - Restricted Cash and Cash Equivalents (continued)

At June 30, 2015 and 2014, the Organization held \$114,972 in a separate money market reserve account to satisfy conditions of a mortgage sale agreement to repurchase delinquent loans.

NOTE 4 - Pledges and Grants Receivable

As of June 30, 2015 and 2014, unconditional promises to give for the construction of homes was \$109,176 and \$753,626, respectively.

NOTE 5 - Conditional Promises to Give

At June 30, 2015 and 2014, the Organization had conditional promises to give in the amount of \$718,750 and \$100,000, respectively. The conditions to satisfy the grants are to complete and sell various housing projects.

NOTE 6 - Property and Equipment

Property and equipment at June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 152,523	\$ 152,523
Automobiles	70,393	70,393
Building and Improvements	900,511	781,327
Equipment, Furniture, and Software	<u>132,674</u>	<u>121,756</u>
TOTAL PROPERTY AND EQUIPMENT	1,256,101	1,125,999
Less: Accumulated Depreciation	<u>446,804</u>	<u>391,979</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 809,297</u>	<u>\$ 734,020</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$54,825 and \$49,049, respectively.

NOTE 7 - Intangible Assets

Intangible assets at June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Loan Origination Fees	\$ 109,552	\$ 109,552
Less: Accumulated Amortization	<u>41,386</u>	<u>34,082</u>
Net Intangible Assets	<u>\$ 68,166</u>	<u>\$ 75,470</u>

Amortization expense for the years ended June 30, 2015 and 2014 was \$7,304.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 7 - Intangible Assets (continued)

Future amortization expense for the years ending June 30 is as follows:

2016	\$	7,304
2017		7,304
2018		7,304
2019		7,304
2020		7,304
Thereafter		31,646
TOTAL	\$	<u>68,166</u>

NOTE 8 - Endowment Fund

The endowment fund consists of pooled investments managed by the Delaware Community Foundation ("DCF"). The Organization is the primary income beneficiary. DCF, through its duly authorized officers of the board of directors, reserves a unilateral variance power which allows DCF the right to make the final decision regarding distributions to the Organization. Endowment fund activity consisted of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 443,830	\$ 306,908
Contributions	70,412	91,788
Investment (Loss) Income, Net of Fees	<u>(4,124)</u>	<u>45,134</u>
ENDING BALANCE	<u>\$ 510,118</u>	<u>\$ 443,830</u>

Investments in the endowment fund consist of income mutual funds and investments in hedge funds.

Endowment fund income consisted of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Realized and Unrealized (Losses) Gains	\$ (6,032)	\$ 43,542
Income Earned	8,136	6,774
Administrative and Investment Fees	<u>(6,228)</u>	<u>(5,182)</u>
Investment (Loss) Income, Net of Fees	<u>\$ (4,124)</u>	<u>\$ 45,134</u>

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 9 - Investment in Joint Venture HFHI-SA Leverage III, LLC

In 2010, the Organization invested, along with ten (10) other Habitat affiliates, in a joint venture ("HFHI-SA Leverage III, LLC") with thirteen percent (13%) ownership to take advantage of New Market Tax Credit ("NMTC") financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new market tax credits to be applied against their federal tax liability. The program provides funds to eligible organizations for investment in "qualified low-income community investment".

Program compliance requirements included creation of a promissory note and investment in a qualified community development entity ("CDE"). Tax credit recapture is required if compliance requirements are not met over a seven-year period. As a result, the Organization has invested \$2,453,507 and \$2,414,683 as of June 30, 2015 and 2014, respectively, and was able to secure a 15-year loan in the amount of \$2,758,746 payable to a community development entity (an affiliate of the joint venture). The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan accrues interest only for years one (1) through seven (7) at a reduced rate of 0.8126%. Beginning in year 8 through year 15 the principal balance of the loan is reduced by an eight-year amortization at the same rate of 0.8126%.

In 2010, the Organization recorded its 13% investment in HFHI-SA Leverage III, LLC at the cost of investment plus transaction costs, expendable construction funds, escrow cash, and program cost liabilities.

In December 2016, City First Capital Investment Fund 21, LLC ("the Fund") and the upstream effective owner of City First Capital 21, LLC (holder of the promissory note due from the Organization) is expected to exercise its put option. Under the terms of the put option agreement, HFHI-SA Leverage III, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund.

NOTE 10 - Note Payable, Demand

The Organization has a revolving line of credit with a local financial institution in the amount of \$300,000. Principal is payable on demand with interest paid monthly at the bank's prime rate (3.25% as of June 30, 2015) less 1% annually on all outstanding balances. The line of credit is considered due on demand; therefore, renewal documentation is not required each year unless changes are made to the original agreement. The line of credit is collateralized by a security interest in the assets of the Organization. No amounts were outstanding on the line of credit as of June 30, 2015 and 2014.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 11 - Notes Payable

Notes Payable at June 30 were as follows:

	2015	2014
<p>Habitat for Humanity International, Inc. - Interest free note payable, payable in monthly installments of \$156 starting January 2012 through November 2015 with a balloon payment of \$168 due December 2015. The note payable is collateralized by mortgages receivable and assets of the Organization.</p>	\$ 1,884	\$ 3,756
<p>Habitat for Humanity International, Inc. - Interest free note payable, payable in monthly installments of \$445 starting July 2013 through May 2017 with a balloon payment of \$460 due June 2017. The note payable is collateralized by mortgages receivable and assets of the Organization.</p>	16,035	21,375
<p>Habitat for Humanity of New Castle County has six promissory notes with the City of Wilmington. Each note is in the amount of \$55,550 totaling \$333,300. The notes do not require principal payments and accrue interest at 5%. The notes mature November 2027. The note payable is collateralized by the real estate.</p>	333,300	333,300
<p>New Castle County - Note payable at 5.0%. Note requires payments of interest only until March 25, 2016 at which time a balloon payment of all principal and interest will be due. The note payable is collateralized by the mortgage receivable.</p>	21,000	21,000
<p>New Castle County - Note payable at 5.0%. Note requires payments of interest only until December 25, 2014 at which time a balloon payment of all principal and interest was due. The note payable is collateralized by the mortgage receivable.</p>	56,000	56,000
<p>SUBTOTAL</p>	\$ 428,219	\$ 435,431

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 11 - Notes Payable (continued)

	2015	2014
BALANCE CARRYFORWARD	\$ 428,219	\$ 435,431
New Castle County - Note payable at 5.0%. Note requires payments of interest only until April 25, 2016 at which time a balloon payment of all principal and interest will be due. The note payable is collateralized by the mortgage receivable.	6,000	6,000
Habitat for Humanity International, Inc. - Interest free note payable, payable in monthly installments of \$661 starting July 2015 through May 2019 with a balloon payment of \$678 due June 2019. The note payable is collateralized by mortgages receivable and assets of the Organization.	31,744	31,744
City First Capital 21, LLC - Note payable at 0.8126%. Semi-annual interest-only payments commencing on December 1, 2009 through December 1, 2016. Commencing on December 1, 2016, semi-annual payments in an amount sufficient to fully amortize the remaining principal balance over 8 years. The note payable has a put option feature that is exercisable in December 2016 (Note 9).	2,758,746	2,758,746
TOTAL NOTES PAYABLE	3,224,709	3,231,921
Less: Current Portion	103,496	68,552
TOTAL NOTES PAYABLE, NET OF CURRENT PORTION	\$ 3,121,213	\$ 3,163,369

The following are the annual maturities of the long-term debt:

<u>Years Ending June 30,</u>		
2016	\$	103,496
2017		2,772,033
2018		7,932
2019		7,948
2020		0
Thereafter		333,300
TOTAL	\$	3,224,709

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 12 - Lease Commitments

The Organization leases warehouse space under a non-cancelable operating lease with monthly payments of \$13,750 through March 2017, and then increases to \$14,163 through the expiration of the lease in March 2022. Rent expense under this lease was \$165,000 for the years ended June 30, 2015 and 2014.

The Organization leases office equipment under a non-cancelable operating lease with monthly payments totaling \$191, plus overages over the allowance. The lease expires in July 2018. Rent expense under this lease was \$5,353 and \$764 for the years ended June 30, 2015 and 2014, respectively.

The following is a schedule by years of future minimum payments for the non-cancelable operating leases described above for the years ended June 30:

2016	\$	167,292
2017		168,529
2018		172,241
2019		170,141
2020		169,950
Thereafter		297,413
TOTAL	\$	<u>1,145,566</u>

NOTE 13 - Commitments and Contingencies

During the year ended June 30, 2014, the Organization sold mortgages with principal balances totaling \$2,685,176 for cash payments of \$1,555,153. The Organization is required to repurchase any mortgage loan that becomes 120 days past due. The Organization is notified regularly of delinquent mortgages that are at risk of repurchase. During the year ended June 30, 2014, the Organization was required to re-purchase \$609,514 in delinquent mortgage receivables. In lieu of cash payment, the Organization swapped current mortgage receivables in the amount of \$1,018,287 to satisfy the re-purchase of the delinquent mortgages. The Organization maintains a restricted bank account to satisfy any mortgages that are in excess of 120 days past due and are required to be repurchased. The Organization did not repurchase any delinquent mortgage loans for the year ended June 30, 2015.

NOTE 14 - Net Assets Released From Temporarily Restricted Net Assets

Net assets released from donor restrictions by incurred expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Purpose Restrictions Accomplished:		
Construction of Homes	\$ 601,125	\$ 842,348
A Brush With Kindness	17,309	22,900
Total Releases From Restrictions	<u>\$ 618,434</u>	<u>\$ 865,248</u>

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 14 - Net Assets Released From Temporarily Restricted Net Assets (continued)

Net assets were temporarily restricted for the following purposes as of June 30:

	2015	2014
Construction of Homes	\$ 571,052	\$ 421,649
A Brush With Kindness	35,311	64,669
Total Temporarily Restricted Net Assets	<u>\$ 606,363</u>	<u>\$ 486,318</u>

NOTE 15 - Home Construction Costs

Following is a summary of home building activity:

	Number	Costs
Homes Under Construction, Net - July 1, 2013 (As Restated)	26	\$ 3,068,160
Homes Transferred During the Year	(19)	(3,586,461)
Costs Incurred in Homes Under Construction	16	1,504,303
Accrued Subsidies on Homes Under Construction for the Year		<u>(84,334)</u>
Homes Under Construction, Net - June 30, 2014 (As Restated)	<u>23</u>	<u>\$ 901,668</u>
	Number	Costs
Homes Under Construction, Net - July 1, 2014 (As Restated)	23	\$ 901,668
Homes Transferred During the Year	(6)	(1,023,029)
Costs Incurred in Homes Under Construction	18	1,910,981
Accrued Subsidies on Homes Under Construction for the Year		<u>(72,157)</u>
Homes Under Construction, Net - June 30, 2015	<u>35</u>	<u>\$ 1,717,463</u>

NOTE 16 - Related Party Transaction

The Organization maintained a vendor relationship in fiscal year ended June 30, 2015, with a mechanical and electrical contracting service company, whose co-owner is a member of the Organization's Board of Directors. All such relationships are subject to the same procurement requirements, policies, and control, as the Organization applies to its other vendors. For the year ended June 30, 2015, the Organization incurred expenses totaling \$33,080 under this relationship. There were no accounts payable outstanding relating to this transaction.

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE 17 - Prior Period Adjustment

Net assets as of June 30, 2014 have been restated. The restatement resulted from a correction of an error to previously-reported accrued subsidies included in construction in progress and building materials and supplies. The effect of the restatement is as follows:

	Construction In Progress	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
June 30, 2013 - As					
Previously Reported	\$ 4,671,174	\$8,245,780	\$ 199,192	\$ 100,000	\$ 8,544,972
Adjustment to Construction In Progress for Building Materials and Supplies As of and for the Year Ended June 30, 2013	(1,603,014)	(1,603,014)	0	0	(1,603,014)
June 30, 2013 - As Restated	3,068,160	6,642,766	199,192	100,000	6,941,958
For the Year Ended					
June 30, 2014 - As					
Previously Reported	(2,082,158)	(1,445,329)	287,126	0	(1,158,203)
Adjustment to Construction In Progress for Building Materials and Supplies For the Year Ended June 30, 2014	(84,334)	(84,334)	0	0	(84,334)
June 30, 2014 - As Restated	<u>\$ 901,668</u>	<u>\$ 5,113,103</u>	<u>\$ 486,318</u>	<u>\$ 100,000</u>	<u>\$ 5,699,421</u>

The effect of this prior period adjustment on previously-reported results of operations for the years ended June 30, 2014 and 2013 was to increase building materials and supplies \$84,334 and \$1,603,014, respectively, and decrease change in net assets by \$84,334 and \$1,603,014, respectively.

NOTE 18 - Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB Accounting Standards Codification No. 855-10 ("FASB ASC 855-10"), the Organization has evaluated those events and transactions that occurred from July 1, 2015 through February 10, 2016, the date the financial statements were available to be issued. No material events or transactions have occurred during this period which would render these financial statements to be misleading.

STEPHANO SLACK LLC

ACCOUNTANTS AND TAX ADVISORS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Habitat for Humanity of New Castle County, Inc.
Wilmington, Delaware

We have audited the financial statements of Habitat for Humanity of New Castle County, Inc. as of and for the year ended June 30, 2015, and our report thereon dated February 10, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedule of functional expenses for 2015 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

The 2014 financial statements of Habitat for Humanity of New Castle County, Inc. were audited by Cetrulo & Morgan Group, LLC who merged with Stephano Slack LLC as of September 1, 2014, whose report dated September 10, 2014, stated the 2014 information included in the accompanying supplementary schedule is presented only for purposes of additional analysis. Such information has been subjected to the inquiry and analytical procedures applied in the 2014 audit of the basic financial statements and they did not become aware of any material modifications that should be made to such information.

Stephano Slack LLC
Stephano Slack LLC

February 10, 2016
Wilmington, Delaware

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

SCHEDULE OF FUNCTIONAL EXPENSES

	Program Services			Supporting Services			Total Expenses
	Construction	Discounts on Mortgage Originations	A Brush With Kindness	Fundraising	Management and General	Supporting Services	
Salaries	\$ 420,218	\$ 0	\$ 2,333	\$ 422,551	\$ 97,064	\$ 318,705	\$ 741,256
Administrative Construction Cost	67,494	0	0	67,494	30,734	30,734	98,228
Amortization	0	0	0	0	7,304	7,304	7,304
Building Materials and Supplies	875,785	0	0	875,785	0	0	875,785
Depreciation	17,972	0	0	17,972	15,931	15,931	33,903
Fundraising	0	0	0	0	0	25,515	25,515
HFFH Franchise Fee	0	0	0	0	10,000	10,000	10,000
Loan Servicing Fees	0	0	0	0	24,614	24,614	24,614
Miscellaneous	0	0	14,976	14,976	0	0	14,976
Mortgage Discounts	0	631,320	0	631,320	0	0	631,320
Occupancy	0	0	0	0	7,671	7,671	7,671
Professional Services	0	0	0	0	16,690	16,690	16,690
Telephone	9,317	0	0	9,317	0	0	9,317
Tithe to Habitat International	42,867	0	0	42,867	0	0	42,867
Training	21,031	0	0	21,031	0	0	21,031
TOTAL OPERATING EXPENSES	\$ 1,454,684	\$ 631,320	\$ 17,309	\$ 2,103,313	\$ 247,156	\$ 457,164	\$ 2,560,477

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

SCHEDULE OF FUNCTIONAL EXPENSES

	Program Services			Supporting Services			Total Expenses
	Construction	Discounts on Mortgage Originations	A Brush With Kindness	Total Program Services	Fundraising	Management and General	
Salaries	\$ 385,031	\$ 0	\$ 57,588	\$ 442,619	\$ 240,852	\$ 110,122	\$ 793,593
Administrative Construction Cost	48,878	0	0	48,878	0	30,730	79,608
Amortization	0	0	0	0	0	7,304	7,304
Building Materials and Supplies	3,321,721	0	0	3,321,721	0	0	3,321,721
Depreciation	18,438	0	0	18,438	0	14,518	32,956
Fundraising	0	0	0	0	22,382	0	22,382
HFH Franchise Fee	0	0	0	0	0	5,000	5,000
Loan Servicing Fees	0	0	0	0	0	24,924	24,924
Miscellaneous	0	0	109,894	109,894	0	0	109,894
Mortgage Discounts	0	1,663,063	0	1,663,063	0	0	1,663,063
Occupancy	0	0	0	0	0	2,107	2,107
Professional Services	0	0	0	0	0	16,798	16,798
Telephone	12,449	0	0	12,449	0	0	12,449
Tithe to Habitat International	35,565	0	0	35,565	0	0	35,565
Training	25,176	0	0	25,176	0	0	25,176
TOTAL OPERATING EXPENSES	\$ 3,847,258	\$ 1,663,063	\$ 167,482	\$ 5,677,803	\$ 263,234	\$ 211,503	\$ 6,152,540

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Habitat for Humanity of New Castle County, Inc.
Wilmington, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of New Castle County, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of New Castle County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of New Castle County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of New Castle County, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in our letter dated February 10, 2016, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of New Castle County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Stephano Slack LLC

February 10, 2016
Wilmington, Delaware