Habitat for Humanity Saint Louis
and Affiliates

Combined Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2014 and 2013

Habitat for Humanity Saint Louis and its Affiliates

Index

Independent Auditor's Report

Board of Directors
Habitat for Humanity Saint Louis and Affiliates
St. Louis, MO

Report on Combined Financial Statements

We have audited the accompanying combined financial statements of Habitat for Humanity Saint Louis and its affiliates, which comprise the combined statement of financial position as of December 31, 2014 and 2013, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Saint Louis and its affiliates as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combined statements of functional expenses on pages 31 and 32 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

CohnReznick LLP

Chicago, Illinois
June 22, 2015

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Financial Position
December 31, 2014 and 2013

Assets

	2014	2013
Current assets		
Cash and cash equivalents	$ 346,872	$ 226,343
Restricted cash	449,685	712,211
Investments	425,411	431,587
Pledges receivable	188,723	84,318
Grants receivable	184,698	216,213
Other receivables	36,897	33,022
Home construction and inventory	980,807	900,012
ReStore inventory	182,994	204,489
Prepaid expenses and other assets	161,485	175,505
Total current assets	2,957,572	2,983,700
Fixed assets		
Property and equipment, net	1,902,487	2,024,579
Long-term assets		
Mortgages receivable, net	1,269,425	881,583
Investments in new markets tax credit programs	12,906,239	12,906,239
Capitalized costs, net	231,479	336,069
Total long-term assets	14,407,143	14,123,891
Total assets	$ 19,267,202	$ 19,132,170

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Financial Position
December 31, 2014 and 2013

Liabilities and Net Assets (Deficit)

	2014	2013
Current liabilities		
Line of credit	$ 1,636,698	$ 1,228,000
Current portion of long-term debt	340,132	48,659
Accounts payable and accrued expenses	781,888	702,414
Mortgage escrows	276,415	277,020
Deferred revenue	228,553	183,052
Total current liabilities	3,263,686	2,439,145
Long-term liabilities		
Long-term debt	17,413,199	17,510,331
Total liabilities	20,676,885	19,949,476
Net assets (deficit)		
Unrestricted net assets (deficit)		
Undesignated	(2,152,045)	(1,532,351)
Board designated	440,451	491,605
Total unrestricted net assets (deficit)	(1,711,594)	(1,040,746)
Temporarily restricted net assets	301,911	223,440
Total net assets (deficit)	(1,409,683)	(817,306)
Total liabilities and net assets (deficit)	$ 19,267,202	$ 19,132,170

See Notes to Combined Financial Statements.

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Activities
Year Ended December 31, 2014

	Unrestricted	Temporarily restricted	Total
Revenues			
Contributions	$ 876,982	$ 28,660	$ 905,642
Sponsorships	-	1,030,028	1,030,028
Grants	545,015	-	545,015
Sales to homeowners	1,646,164	-	1,646,164
ReStore retail sales	1,008,814	-	1,008,814
Donated property, materials and services	981,159	240,048	1,221,207
Fundraising and special events revenue (net of expenses of $5,014)	35,544	-	35,544
Investment income	142,330	-	142,330
Other income	93,422	-	93,422
Net assets released from restrictions	1,220,265	(1,220,265)	-
Total revenues	6,549,695	78,471	6,628,166
Expenses			
Program services:			
Home construction and construction support	3,888,302	-	3,888,302
ReStore retail operations	2,215,543	-	2,215,543
Total program services	6,103,845	-	6,103,845
Supporting activities:			
Management and general	755,342	-	755,342
Fundraising	361,356	-	361,356
Total supporting activities	1,116,698	-	1,116,698
Total expenses	7,220,543	-	7,220,543
Change in net assets (deficit)	(670,848)	78,471	(592,377)
Net assets (deficit) - beginning of year	(1,040,746)	223,440	(817,306)
Net assets (deficit) - end of year	$ (1,711,594)	$ 301,911	$ (1,409,683)

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Activities
Year Ended December 31, 2013

	Unrestricted	Temporarily restricted	Total
Revenues			
Contributions	$ 876,339	$ 76,518	$ 952,857
Sponsorships	-	929,692	929,692
Grants	748,250	-	748,250
Sales to homeowners	1,720,720	-	1,720,720
ReStore retail sales	851,022	-	851,022
Donated property, materials and services	886,499	238,677	1,125,176
Fundraising and special events revenue (net of expenses of $13,567)	46,424	-	46,424
Investment income	146,372	-	146,372
Other income	124,264	-	124,264
Net assets released from restrictions	1,424,730	(1,424,730)	-
Total revenues	6,824,620	(179,843)	6,644,777
Expenses			
Program services:			
Home construction and construction support	4,174,517	-	4,174,517
ReStore retail operations	1,949,472	-	1,949,472
Total program services	6,123,989	-	6,123,989
Supporting activities:			
Management and general	741,600	-	741,600
Fundraising	366,712	-	366,712
Total supporting activities	1,108,312	-	1,108,312
Total expenses	7,232,301	-	7,232,301
Change in net assets (deficit)	(407,681)	(179,843)	(587,524)
Net assets (deficit) - beginning of year	(633,065)	403,283	(229,782)
Net assets (deficit) - end of year	$ (1,040,746)	$ 223,440	$ (817,306)

See Notes to Combined Financial Statements.

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets (deficit)	$ (592,377)	$ (587,524)
Adjustments to reconcile change in net assets (deficit) to net cash used in operating activities:		
Donated property, materials and services	17,172	108,933
Discount on mortgages receivable	407,146	503,056
Discount on home construction and inventory	(402,388)	(182,582)
Depreciation and amortization	227,577	223,019
Unrealized loss (gain) on investments	1,997	(9,205)
Changes in assets and liabilities:		
Pledges receivable	(104,405)	128,200
Grants receivable	31,515	(92,907)
Other receivables	(3,875)	10,328
ReStore inventory	4,323	(696)
Home construction and inventory	321,593	252,256
Prepaid expenses	14,020	(122,360)
Mortgages receivable	(794,988)	(772,527)
Accounts payable and accrued expenses	79,474	143,081
Mortgage escrows	(605)	84,110
Deferred revenue	45,501	26,227
Net cash used in operating activities	(748,320)	(288,591)
Cash flows from investing activities		
Purchase of investments	(187,950)	(351,605)
Proceeds from sale of investments	192,129	37,783
Purchases of property and equipment, net	(895)	(375,187)
Net cash provided by (used in) investing activities	3,284	(689,009)

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from financing activities		
Proceeds from line of credit, net	408,698	369,392
Proceeds from long-term debt	243,000	100,000
Principal payments on long-term debt	(48,659)	(39,020)
Net cash provided by financing activities	603,039	430,372
Net decrease in cash	(141,997)	(547,228)
Cash and cash equivalents, beginning	938,554	1,485,782
Cash and cash equivalents, ending	$ 796,557	$ 938,554
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 209,836	$ 193,779

See Notes to Combined Financial Statements.

Note 1 - Organization

Habitat for Humanity Saint Louis ("Habitat") was organized as a non-profit organization in the state of Missouri and is associated with Habitat for Humanity International, Inc. Habitat has received tax exempt status under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1954 to construct affordable, decent housing for sale to low-income families at cost and to build communities by encouraging existing homeowners to upgrade and improve their property.

On July 10, 2014, HFHSL Community Housing Development Organization ("HFHSL CHDO") and on January 27, 2015, HFHSL Community Housing Development Corporation II ("HFHSL CHDC II", were formed in the State of Missouri.

HFHSL CHDO and HFHSL CHDC II are Community Housing Development Organizations ("CHDO's") sanctioned by the U.S. Department of Housing and Urban Development's ("HUD") HOME Program, whose purpose is to assist in developing community low-income housing. CHDO's receive certain priority and eligibility for HUD grants.

These combined financial statements include the accounts of Habitat for Humanity Saint Louis, HFHSL Community Housing Development Organization and HFHSL Community Housing Development Corporation II (collectively, the "Organization"). Inter-company activity is eliminated in combination.

The primary source of the Organization's revenues is contributions and sponsorships received from the general public, corporations and religious organizations. Habitat also operates two retail hardware stores (the "ReStores") with sales to the general public. Inventory is primarily donated, with the sale proceeds used to carry out the Organization's mission.

The Organization's activities are primarily comprised of the following:

Program services

Home construction, financing and support - Includes all home construction costs such as materials, supplies, labor and overhead, as well as financing certain mortgages for the homeowners. This programming also includes construction supporting costs such as real estate development, volunteer mobilization and family selection services.

ReStore operations - Includes salaries, utilities and overhead necessary to operate two discount and recycled materials hardware stores. This programming also includes the estimated value of donated merchandise sold in the stores.

Supporting activities

Management and general - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; and manage the combined financial and budgetary responsibilities of the Organization.

Fundraising - Provides the structure necessary to encourage and secure combined financial support for the Organization through grants, contributions and special events.

Note 2 - Summary of significant accounting policies

Basis of presentation

The Organization is required to report information regarding its combined financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets. Additionally, information is required to segregate program service expenses from support expenses. Support expenses include management and general and fundraising expenses.

Revenue recognition

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions of assets other than cash are recorded at their estimated fair market value.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions received with donor imposed restrictions that are met in the same year as received are reported as unrestricted revenues. The expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled, or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional pledges receivable that are expected to be collected within a year are recorded at their net realizable value when the donor makes the promise. Unconditional pledges receivable that are expected to be collected in the future years are recorded at the present value of their estimated future cash flows.

Grants that are received prior to recognition of revenue are recorded as deferred revenue.

Sales to homeowners represent the sale of homes built or rehabilitated by the Organization. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. The Organization recognizes income from the sales to homeowners on the completed contract method when home closings occur.

Donated property, materials and services

Donated materials are valued at the lower of estimated donor cost or fair value at the date of contribution. Certain professional services are donated to the Organization by various organizations. Since these donated services meet the criteria for recognition, as stated by generally accepted accounting principles, they are recorded at fair value at the date of donation. In addition, a substantial number of volunteers have donated a significant amount of time to the Organization. These donated services have not been recognized as contributions in the combined financial statements since the recognition criteria, as stated by generally accepted accounting principles, were not met. Some donated materials and services are designated by the donor for specific construction projects, and accordingly, are recorded as temporarily restricted.

Donated investments are recorded at the fair market value as of the date of the contribution. Gains and losses on investments and other assets or liabilities, are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

Net assets
The Organization classifies net assets as unrestricted, temporarily restricted or permanently restricted.

Unrestricted net assets of the Organization are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets of the Organization result (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets of the Organization result (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations. The Organization has not received any permanently restricted contributions. There are no permanently restricted net assets.

Use of estimates
The preparation of combined 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 combined financial

statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of assets
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 measurements 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.

The accounting guidance for fair value measurement also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The fair value hierarchy is as follows:

- Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes listed equities, securities and listed derivatives.

- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

- Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significant of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the Organization's investments that are recorded at fair value according to the hierarchy levels at December 31, 2014 and 2013:

	2014		
	Level 1	Level 2	Level 3
Short-term investments	$ 425,411	$ -	$ -

	2013		
	Level 1	Level 2	Level 3
Short-term investments	$ 431,587	$ -	$ -

Investments
The Organization's short-term investments consist of various securities. The Organization's short-term investments are classified as securities and are carried at fair value determined based on Level 1 inputs as of the date nearest the balance sheet date.

The Organization's long-term investments are investments in entities related to the New Markets Tax Credit ("NMTC") program. The NMTC investments are 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.

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

Inventory
Inventory primarily consists of ReStore merchandise, construction in progress, homes available for sale, and land and buildings occupied and subject to lease with the option to purchase.

ReStore inventory consists of materials and is stated at donated value. Any purchased inventory is stated at the lower of cost or market value.

All direct material and equipment costs and indirect costs related to home construction are recorded as construction in progress inventory. When revenue from the sale of a home is recognized, the corresponding costs are expensed in the combined statement of activities and changes in net assets as program services.

Homes are transferred from construction in progress to homes available for sale once completed, with the accrued impairment for the sale of the mortgage and the expected loss on the sale of the property. Homes available for sale also includes foreclosed homes mortgage balances which are recorded at the unpaid mortgage balance at the time of foreclosure.

Capitalization and depreciation
Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Assets are depreciated over their estimated service lives. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

Capitalized costs
Guarantee fees paid in conjunction with the NMTC investments are capitalized and amortized over seven years, the NMTC guarantee period.

Impairment of long-lived assets
The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses have been recognized during 2014 and 2013, respectively.

Income taxes
Habitat has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2014 and 2013. Due to its tax exempt status, Habitat is not subject to income taxes. They are required to file, and do file, tax returns with the IRS and other taxing authorities. The Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS generally for three years after they were filed.

Advertising costs
Advertising costs are charged to operations when incurred.

Reclassifications
Reclassifications may have been made to the prior year balances to conform to the current year presentation. Such reclassifications were made from comparative purposes only, and do not restate prior year financial statements.

Note 3 - Cash and cash equivalents

The Organization maintains its cash reserve balances in several accounts. The cash reserve balances are insured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash reserve balances during the years ended December 31, 2014 and 2013.

Restricted cash consists of the following as of December 31, 2014 and 2013:

	2014	2013
Cash and cash equivalents held in checking and money market accounts designated by the board for specific purposes (Note 15)	$ 21,108	$ 65,906
Homeowner repair escrow	126,602	256,041
Restricted for new markets tax credit expenses (Note 9)	301,975	390,264
	$ 449,685	$ 712,211

Note 4 - Investments

Investments consist of the following as of December 31, 2014 and 2013:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Equity mutual funds	$ 17,273	$ 26,733	$ 82,647	$ 106,559
Fixed income mutual funds	380,070	398,678	284,419	275,811
Other	-	-	47,812	49,217
	$ 397,343	$ 425,411	$ 414,878	$ 431,587

Investments are carried at fair value in accordance with generally accepted accounting principles.

Certain investments have been designated by the Board for specific purposes (see Note 15). Income (loss) on those investments includes the following for the years ended December 31, 2014 and 2013:

	2014	2013
Investment income from NMTC investments	$ 136,552	$ 137,268
Unrealized gain (loss) on investments	(1,997)	9,205
Realized gain (loss) on investments	7,775	(101)
	$ 142,330	$ 146,372

As of December 31, 2014 and 2013, investment fees of approximately $6,044 and $6,915, respectively, are included in management and general expenses on the statement of activities.

Note 5 - Pledges receivable

Pledges, or promises to give, consist of contributions restricted for the purpose of building a home. At December 31, 2014 and 2013, pledges receivable were $188,723 and $84,318, respectively, for house sponsorships. The promises to give are unconditional and are expected to be collected within one year.

Note 6 - Grants receivable and grant revenue

Grants receivable as of December 31, 2014 and 2013 consists primarily of reimbursement type grants for home construction costs:

	2014	2013
Affordable Housing Trust Fund	$ 10,800	$ 19,201
City of St. Louis HOME Funds	3,260	19,215
St. Louis County HOME Funds	31,007	11,723
Jefferson Solid Waste	19,631	16,074
The Home Depot Foundation	120,000	150,000
	$ 184,698	$ 216,213

Grant revenue during 2014 and 2013 consists of the following:

	2014	2013
Affordable Housing Trust Fund	$ 81,000	$ 192,000
City of St. Louis HOME Funds	23,640	308,880
St. Louis County HOME Funds	394,012	-
Jefferson Solid Waste	20,000	25,000
Softwood Lumber	26,363	71,370
The Home Depot Foundation	-	150,000
Other	-	1,000
	$ 545,015	$ 748,250

Note 7 - Mortgages receivable

Mortgages receivable consist of non-interest bearing mortgages secured by real estate, receivable in monthly installments though years ranging to 2047. Mortgage receivables include those mortgages repurchased from CitiMortgage upon homeowner default and second promissory notes on homes under the zero-equivalent mortgage method. Each mortgage is discounted to the value it could be sold to a third party lender.

The Organization participates in a zero-equivalent mortgage method for financing homes. Under this method, the lending bank charges the homebuyer a below-market rate of interest. The monthly payments the homebuyer makes to the lending bank are the same as if the Organization was providing a zero-percent loan directly to the homebuyer. The Organization sells homes at a reduced price in order for the mortgage with interest to be equivalent to the mortgage with no interest at a normal sale price. The Organization holds the second mortgage on each home which will be forgiven over the life of the mortgage.

Mortgages receivable are presented net of unamortized discount resulting from the imputation of interest as follows:

	2014	2013
Mortgages receivable at face value	$ 3,318,306	$ 2,523,318
Less: Reserve	(1,737,653)	(1,377,773)
Less: Allowance for doubtful accounts	(311,228)	(263,962)
Long-term portion of mortgages receivable	$ 1,269,425	$ 881,583

Note 8 - Home construction and inventory

Home construction and inventory for the years ended December 31, 2014 and 2013 consists of the following:

	2014	2013
Land	$ 245,935	$ 1,035
Construction in progress	97,446	374,134
Leased and available-for-sale homes	637,426	524,843
	$ 980,807	$ 900,012

Leases for homes contain purchase options, which allow the lessee to purchase the property with an interest-free loan payable over 20 to 39 years. Leased and available-for-sale homes are valued in inventory at the lower of cost or net realizable proceeds after all expected selling costs. During 2014, there were 10 leased and available-for-sale homes in inventory. Six are leased as rent-to-own and the remaining four homes are vacant. During 2013, there were 16 leased and available-for-sale homes in inventory. One of those homes was occupied on a temporary rent-free basis, two were leased as rent-to-own, and the remaining 13 homes were vacant.

Note 9 - Investments in New Markets Tax Credit Programs

Habitat has entered into four transactions involving New Markets Tax Credit ("NMTC") financing. Under the NMTC structure, Habitat makes investments in a leverage lender, whose sole purpose is to lend to an investment fund. The investment fund entity also receives capital contribution equity from private investors. The private investor receives tax credits in return for its contribution into the investment fund. The investment fund uses the loan from the leverage lender and the equity from the investors to make an investment in a community development entity ("CDE"). All of the proceeds received by the CDE are then loaned to Habitat.

Investment in HFHI-SA Leverage II, LLC

In 2008, Habitat made an investment in HFHI-SA Leverage II, LLC in the amount of $2,420,299, plus transaction costs of $210,776. Habitat is a 50% member in HFHI-SA Leverage II, LLC. Habitat recorded its investment at cost plus transaction costs. In return for its investment, Habitat received a loan from MBS UI Sub-CDE VIII in the amount of $3,430,000. As of December 31, 2014 and 2013, Habitat's investment in HFHI-SA Leverage II, LLC is $2,631,075.

In June 2015, USB NMTC Fund 2008-2 LLC (the "2008 Fund") and the upstream effective owner of MBS-UI Sub CDE VIII, LLC (holder of a promissory note due from Habitat) is expected to exercise its put option. Under the terms of the put option agreement, HFHI-SA Leverage II, LLC is expected to purchase the ownership interest of the 2008 Fund. If the put option is not exercised, HFHI-SA Leverage II, LLC has a call option to purchase the 100% ownership interest of the 2008 Fund at fair market value. Exercise of the option will effectively allow Habitat to extinguish its outstanding debt owed to the 2008 Fund.

Investment in HFHSTL Leverage Lender, LLC

In 2009, Habitat made an investment in HFHSTL Leverage Lender, LLC in the amount of $3,764,468, plus transaction costs of $105,198. Habitat is the 99.99% member of HFHSTL Leverage Lender, LLC. Habitat recorded its investment at cost plus transaction costs. In return for its investment, Habitat received a loan from USBCDE Sub-CDE XXXVII, LLC in the amount of $4,950,000.

In December 2016, USBCDE Investment Fund XXXVII, LLC (the "2009 Fund") and the upstream effective owner of USBCDE Sub-CDE XXXVII, LLC (holder of a promissory note due from Habitat) is expected to exercise its put option. Under the terms of the put option agreement, HFHSTL Leverage Lender, LLC is expected to purchase the ownership interest of the 2009 Fund. If the put option is not exercised, HFHSTL Leverage Lender, LLC has a call option to purchase the 100% ownership interest of the 2009 Fund at fair market value. Exercise of the option will effectively allow Habitat to extinguish its outstanding debt owed to the 2009 Fund.

In 2011, Habitat made an additional investment in HFHSTL Leverage Lender, LLC in the amount of $4,772,293, plus transaction costs of $141,362. Habitat recorded its investment at cost plus transaction costs. In return for its investment, Habitat received a loan from CBKC Subsidiary CDE X, LLC in the amount of $5,880,000.

According to the option agreement, U.S. Bancorp Community Development Corporation ("USB"), who owns all of the membership interest in Habitat STL-CBKC Investment Fund, LLC, which is the 99.99% owner of CBKC Subsidiary CDE X, LLC, has an option to sell its ownership interest in Habitat STL-CBKC Investment Fund LLC to HFHSTL Leverage Lender, LLC. The put option may be exercised by USB commencing in July 2018. If USB does not exercise the put option, HFHSTL Leverage Lender, LLC has the option to purchase (call), at any time during the 12-month period following the expiration of the put option, USB's ownership interest. Exercise of this option will effectively allow Habitat to extinguish its outstanding debt owed to CBKC Subsidiary CDE X, LLC.

As of December 31, 2014 and 2013, Habitat's investment in HFHSTL Leverage Lender, LLC is $8,783,321.

Investment in HFHI-CCML Leverage I, LLC

In 2012, Habitat made an investment in HFHI-CCML Leverage I, LLC in the amount of $1,448,866, plus transaction costs of $42,977. Habitat is the 20% member of HFHI-CCML Leverage I, LLC. Habitat recorded its investment at cost plus transaction costs. In return for its investment, Habitat received a loan from CCM Community XVII LLC in the amount of $1,880,000. As of December 31, 2014 and 2013, Habitat's investment in HFHI-CCML Leverage I, LLC is $1,491,843.

In December 2019, USBCDE Investment Fund XVII, LLC (the "2012 Fund") and the upstream effective owner of CCM Community XVII LLC (holder of a promissory note due from Habitat) is expected to exercise its put option. Under the terms of the put option agreement, HFHI-CCML Leverage I, LLC is expected to purchase the ownership interest of the 2012 Fund. If the put option is not exercised, HFHI-CCML Leverage I, LLC has a call option to purchase the 100% ownership interest of the 2012 Fund at fair market value. Exercise of the option will effectively allow Habitat to extinguish its outstanding debt owed to the 2012 Fund.

Interest income earned from the investments and interest expense incurred from the loans is as follows for the years ended December 31, 2014 and 2013:

	2014	2013
Interest income	$ 123,889	$ 123,889
Interest expense	(123,920)	(123,920)
Net interest	$ (31)	$ (31)

Management expects the put option for each of its NMTC transactions to be exercised at the end of the compliance period. If that does occur, management anticipates revenue from the forgiveness of debt as follows:

		Revenue
Year ending December 31, 2015	$	798,925
2016		1,080,334
2019		966,345
2020		388,157
Total	$	3,233,761

Note 10 - Property and equipment

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment as of December 31, 2014 and 2013 is comprised of the following:

	Useful Life	2014	2013
Land	N/A	$ 320,000	$ 320,000
Building and improvements	10 - 40 years	1,925,354	1,925,354
Equipment	3 - 39 years	687,967	693,655
Vehicles	5 years	199,710	206,518
Computer software	3 years	73,903	73,903
Total property and equipment		3,206,934	3,219,430
Less: Accumulated depreciation		(1,304,447)	(1,194,851)
Property and equipment, net		$ 1,902,487	$ 2,024,579

Depreciation expense for the years ended December 31, 2014 and 2013 was $122,987 and $118,429, respectively.

Note 11 - Capitalized costs

The guarantee fees associated with the NMTC transactions have been capitalized and amortized over the seven-year guarantee period. As of December 31, 2014 and 2013, guarantee fees amounted to $732,130 and $732,130, and accumulated amortization amounted to $500,650 and $396,061, respectively. During the years ending December 31, 2014 and 2013, amortization expense amounted to $104,590 and $104,590, respectively.

Estimated amortization expense for the next five years and thereafter is as follows:

Year	Amount
2015	$ 103,536
2016	77,255
2017	31,325
2018	17,783
2019	1,580
	$ 231,479

Note 12 - Line of credit

During 2012, and as amended in 2013, Habitat opened a revolving line of credit in the amount of $2,000,000 with Central Bank of St. Louis, formerly known as First National Bank. The line of credit bears interest at a variable rate equal to Central Bank's prime rate, which was 4.5% at December 31, 2014 and 2013, plus 1%. The interest rate is subject to a minimum of 5.50%. Interest-only payments were initially due monthly through maturity on October 10, 2014, when all outstanding principal and interest was due.

Effective April 29, 2015, Habitat entered into a modification agreement with Central Bank to extend the maturity date to September 10, 2015. At that time, all outstanding principal and unpaid interest is due. The line of credit is secured by Habitat's building and assets. Habitat had borrowings outstanding of $1,636,698 and $1,228,000 as of December 31, 2014 and 2013, respectively.

Note 13 - Long-term debt

Long-term debt at December 31, 2014 and 2013 consists of the following:

	2014	2013
St. Louis Housing Authority		
The loan in the amount of $210,000, dated August 3, 2010, is held by St. Louis Housing Authority. The loan is non-interest bearing. Principal payments in the amount of $2,500 are due monthly beginning January 1, 2012. The loan matures January 1, 2019. The loan is unsecured.	$ 89,210	$ 119,210
IFF NMTC Loan		
The loan in the amount of $1,208,800, dated November 30, 2011, is held by IFF. The loan bears interest at 5.875%. The interest rate is recalculated on December 1, 2018, November 30, 2028 and December 1, 2028. Interest-only payments are due monthly until December 1, 2018. Beginning December 1, 2018, principal and interest payments are due monthly in an amount that amortizes the principal balance over 180 months. The loan matures on December 1, 2028. The loan is secured by Habitat's building and assignment of rents.	1,208,800	1,208,800
IFF Equipment Loan		
The loan in the amount of $100,000, dated April 11, 2013, is held by IFF. The loan bears interest at 4.5%. Beginning July 1, 2013, principal and interest payments are due monthly in equal amounts that amortize the principal balance over 60 months. The loan matures on July 1, 2018.	72,321	90,980

	2014	2013
MBS UI Sub-CDE VIII		
The loan in the amount of $3,430,000, dated December 18, 2008, is held by MBS-UI Sub-CDE VIII, LLC. The loan bears interest at 0.706%. Interest-only payments are due semi-annually until December 2015. Commencing on December 18, 2015, semi-annual principal and interest payments in the amount of $208,242 are due until maturity. The loan matures on December 18, 2023. The loan is secured by the assets of the 2008 NMTC project. The loan is also guaranteed by a related party if an event of recapture occurs. The loan has a put option feature that is exercisable in June 2015 (Note 9).	3,430,000	3,430,000
USBCDE SUB-CDE XXXVII, LLC		
The loan in the amount of $4,950,000, dated December 15, 2009 is held by USBCDE SUB-CDE XXXVII, LLC. The loan bears interest at 0.76057%. Interest-only payments are due semi-annually until December 2016. Commencing on December 15, 2016, semi-annual principal and interest payments in the amount of $301,254 are due until maturity. The loan matures on December 15, 2024. The loan is secured by the 2009 NMTC project and bank accounts. The loan is also guaranteed by a related party if an event of recapture occurs. The loan has a put option feature that is exercisable in December 2015 (Note 9).	4,950,000	4,950,000

	2014	2013
CBKC Subsidiary CDE X, LLC		
The loan in the amount of $5,880,000, dated June 17, 2011, is held by CBKC Subsidiary CDE X, LLC. The loan bears interest at 0.808942%. Interest-only payments are due semi-annually until December 5, 2018. Commencing on December 5, 2018, semi-annual principal and interest payments in the amount of $380,277 are due until maturity. The loan matures on June 16, 2026. The loan is secured by the operating account held by U.S. Bank National Association, the guaranty account held by the lender and the 2011 NMTC Project. The loan is also guaranteed by a related party if an event of NMTC recapture occurs. The loan has a put option feature that is exercisable in July, 2018 (Note 9).	5,880,000	5,880,000
CCM Community Development XVII LLC		
The loan in the amount of $1,880,000, dated April 12, 2012, is held by CCM Community Development XVII LLC. The loan bears interest at 0.7707%. Interest-only payments are due semi-annually until May 5, 2020. Commencing on May 5, 2020, semi-annual principal and interest payments in the amount of $114,467 are due until maturity. The loan matures on April 11, 2028. The loan is secured by the operating account held by U.S. Bancorp, the guaranty account held by the lender and the 2012 NMTC Project. The loan is also guaranteed by a related party if an event of NMTC recapture occurs. The loan has a put option feature that is exercisable in December, 2019 (Note 9).	1,880,000	1,880,000

	2014	2013
Lookaway Summit		
On December 29, 2014, Habitat purchased 18 parcels of real property from an individual in the amount of $243,000. The loan is non-interest bearing and payments are due upon the closing of homes subsequently built and sold on each parcel of land. The loan matures on December 31, 2016, at which time any remaining balance is due.	243,000	-
Total	17,753,331	17,558,990
Less: Current maturities	(340,132)	(48,659)
Long-term debt	$ 17,413,199	$ 17,510,331

The following is a schedule of estimated future payments as of December 31, 2014:

Year	Amount
2015	$ 340,132
2016	875,627
2017	1,015,698
2018	1,349,398
2019	1,749,682
Thereafter	12,422,794
	$ 17,753,331

Note 14 - Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2014 and 2013 are subject to the following restrictions:

	2014	2013
Construction projects	$ 240,403	$ 153,736
Other	61,508	69,704
	$ 301,911	$ 223,440

Net assets released from restrictions during 2014 and 2013 consist of the following:

	2014	2013
Construction projects	$ 1,208,298	$ 1,357,670
Other	11,967	67,060
	$ 1,220,265	$ 1,424,730

Note 15 - Board designated net assets

Unrestricted net assets have been designated for specific purposes, and certain assets have been set aside accordingly as follows at December 31, 2014 and 2013:

	2014	2013
Cash and equivalents	$ 21,108	$ 65,905
Investments	419,343	425,700
	$ 440,451	$ 491,605

These assets have been set aside for the following board designated net assets:

	2014	2013
Operating reserve fund	$ 303,978	$ 375,847
Capacity reserve fund	136,473	115,758
	$ 440,451	$ 491,605

Note 16 - Related party transactions

Habitat has a nonbinding covenant with Habitat for Humanity International, Inc. ("HFHI") to make an annual voluntary tithe payment to HFHI. In prior years, Habitat made tithe payments in the amount of $1,000 for each house sold. An additional tithe payment is required for each house sponsored by a specific donor.

In 2013, HFHI implemented its Stewardship and Organizational Sustainability Initiative ("SOSI"), which requires payment from affiliates of annual fees based upon the size of the individual affiliate. The annual fee required of Habitat is $25,000, and is in addition to any voluntary tithe.

In 2014 and 2013, Habitat paid $25,000 and $0, respectively, for the previous year's SOSI commitment. In 2014 and 2013, Habitat paid tithe payment in the amount of $5,000 and $5,000, respectively, for 2013 and 2012 commitments. During 2014, $5,000 was expensed for the sale of 10 homes built, and remains payable as of December 31, 2014. During 2013,

$12,000 was expensed for the sale of 12 homes built and remained payable as of December 31, 2013. Tithes payable to HFHI are included in accounts payable and accrued expenses on the balance sheet.

Note 17 - Operating lease

On March 27, 2013, Habitat entered into a lease agreement to open a second ReStore location. The lease commenced on June 1, 2013 and terminates on May 31, 2018, with two five-year options to renew. The lease provides for annual base rent, a portion of which is donated back to Habitat each year on June 1, and monthly base rent payable by Habitat.

Minimum future rents to be incurred, paid and donated on the lease agreement for the next five years are as follows:

Year	Monthly Base Rent	Donated Rent	Total Annual Base Rent
2015	$ 183,689	$ 223,502	$ 407,191
2016	207,715	199,476	407,191
2017	224,491	182,700	407,191
2018	95,635	74,028	169,663
Total	$ 711,530	$ 679,706	$ 1,391,236

Note 18 - Lease agreements

The Organization leases some of its properties from time to time. Although the Organization is a for-sale housing program, certain situations may arise where a property may be temporarily leased before it is sold. Most situations involve a lease-to-own or option-to-purchase agreement, but others may be only a rental situation for a fixed or renewable term.

During 2014, Habitat was receiving lease payments on six homes, of which four are expected to be sold within the next year. During 2013, Habitat was receiving lease payments on two homes, one of which was subsequently sold.

Note 19 - Mortgages sold with recourse

Prior to 2002, Habitat sold mortgages receivable with recourse to the Missouri Housing Development Commission. Habitat has guaranteed payment of the mortgage loans and in the event of any loan default Habitat will replace the non-performing loan with a performing loan or will buy back the non-performing loan at par. As of December 31, 2014 and 2013, the uncollected balances remaining on the mortgages totaled $42,056 and $52,745, respectively.

Note 20 - Commitments and contingencies

The purchase option agreement when a home is sold contains a provision that if the home is sold within 10 years of the initial date of the lease agreement, the Organization has the right to receive a certain percentage of the gain on the sale of the home. The percentage ranges from 100% if sold during the first year, to 10% if sold in the 10th year.

The Organization provides a limited warranty to homeowners for all work done and materials provided in the construction of the home. This warranty is for one year from the date the buyer took occupancy, including the buyer's lease term. During this time, upon written notice from the purchaser, the Organization will repair or replace substantial defects free of charge. However, the Organization has the right to use the funds in the major repair fund (a portion of each mortgage payment is allocated to this escrow account). Based on past experience, management has determined no reserve is needed for warranties.

Note 21 - Employee benefit plan

Habitat implemented a SIMPLE-IRA plan in 1998. An employee is eligible for the plan if $2,400 of wages has been earned in any prior year. The plan provides for a deferral of compensation and an employer matching contribution, subject to certain limitations. For the years ended December 31, 2014 and 2013, Habitat's contribution to the plan amounted to $38,934 and $38,607, respectively.

Note 22 - Subsequent events

Events that occur after the balance sheet date but before the combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying combined financial statements. Subsequent events which reflect significant matters but which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through June 22, 2015 (the date the financial statements were available to be issued) and concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Functional Expenses
Year Ended December 31, 2014

	Program services			Supporting activities			
	Construction	ReStore operations	Total	Management and general	Fundraising	Total	Total
Salaries and wages	$ 744,682	$ 362,881	$ 1,107,563	$ 286,361	$ 252,413	$ 538,774	$ 1,646,337
Employee taxes and benefits	216,884	117,095	333,979	62,548	47,080	109,628	443,607
Home construction costs	1,841,379	1,150	1,842,529	-	-	-	1,842,529
Discount on mortgages	472,081	-	472,081	-	-	-	472,081
Impairment on inventory	18,446	-	18,446	-	-	-	18,446
Cost of merchandise sales	-	1,002,635	1,002,635	-	-	-	1,002,635
New market tax credit expenses	84,287	-	84,287	-	-	-	84,287
Bad debt	-	-	-	-	-	-	-
Committee expenses	2,347	-	2,347	17,324	1,115	18,439	20,786
Computer expenses	1,869	5,873	7,742	50,466	900	51,366	59,108
Depreciation and amortization	127,763	44,369	172,132	55,445	-	55,445	227,577
Facilities cost	25,940	567,672	593,612	60,742	-	60,742	654,354
Insurance	21,463	8,792	30,255	48,708	-	48,708	78,963
Interest expense and service charges	189,940	20,354	210,294	31,125	4,524	35,649	245,943
Marketing and public relations	61,421	23,107	84,528	669	38,775	39,444	123,972
Miscellaneous	40,295	5,697	45,992	7,935	5,330	13,265	59,257
Office expenses	7,796	8,901	16,697	7,779	3,347	11,126	27,823
Postage	2,277	25	2,302	1,137	1,358	2,495	4,797
Professional fees	-	-	-	116,787		116,787	116,787
Telephone	13,687	8,125	21,812	5,340	3,365	8,705	30,517
Travel and meals	3,128		3,128	920	261	1,181	4,309
Vehicle	12,617	38,867	51,484	2,056	2,888	4,944	56,428
	$ 3,888,302	$ 2,215,543	$ 6,103,845	$ 755,342	$ 361,356	$ 1,116,698	$ 7,220,543

Habitat for Humanity Saint Louis and Affiliates

Combined Statements of Functional Expenses
Year Ended December 31, 2013

	Program services			Supporting activities			
	Construction	ReStore operations	Total	Management and general	Fundraising	Total	Total
Salaries and wages	$ 736,281	$ 328,351	$ 1,064,632	$ 278,601	$ 237,774	$ 516,375	$ 1,581,007
Employee taxes and benefits	210,220	97,748	307,968	60,826	41,981	102,807	410,775
Home construction costs	1,873,912	-	1,873,912	-	-	-	1,873,912
Discount on mortgages	531,652	-	531,652	-	-	-	531,652
Impairment on inventory	153,377	-	153,377	-	-	-	153,377
Cost of merchandise sales	-	1,015,874	1,015,874	-	-	-	1,015,874
New market tax credit expenses	99,010	-	99,010	-	-	-	99,010
Bad debt	-	1,924	1,924	9,000	450	9,450	11,374
Committee expenses	2,316	294	2,610	16,070	1,100	17,170	19,780
Computer expenses	2,957	5,721	8,678	49,562	1,687	51,249	59,927
Depreciation and amortization	133,734	32,802	166,536	56,483	-	56,483	223,019
Facilities cost	29,188	351,152	380,340	53,139	-	53,139	433,479
Insurance	41,189	1,737	42,926	48,051	-	48,051	90,977
Interest expense and service charges	177,043	16,518	193,561	33,149	3,763	36,912	230,473
Marketing and public relations	40,474	23,980	64,454	1,278	56,818	58,096	122,550
Miscellaneous	101,879	8,707	110,586	7,601	9,938	17,539	128,125
Office expenses	7,482	8,189	15,671	10,459	3,466	13,925	29,596
Postage	2,008	32	2,040	933	1,639	2,572	4,612
Professional fees	-	-	-	107,332	-	107,332	107,332
Telephone	14,337	7,126	21,463	3,832	3,496	7,328	28,791
Travel and meals	5,257	-	5,257	3,580	1,794	5,374	10,631
Vehicle	12,201	49,317	61,518	1,704	2,806	4,510	66,028
	$ 4,174,517	$ 1,949,472	$ 6,123,989	$ 741,600	$ 366,712	$ 1,108,312	$ 7,232,301

See Independent Auditor's Report.