

**INDIAN RIVER COUNTY
HABITAT FOR HUMANITY, INC.**

**Financial Statements
with
Independent Auditors' Report**

June 30, 2016
(With Corresponding Totals for 2015)

Table of Contents

	Page
Independent Auditors' Report	2 - 3
Financial Statements:	
Statement of Financial Position.....	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 16



KMETZ • NUTTALL • ELWELL • GRAHAM, PLLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Indian River County Habitat for Humanity, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Indian River County Habitat for Humanity, Inc. of Vero Beach, Florida (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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To the Board of Directors
Indian River County Habitat for Humanity, Inc.
Page two

Opinion

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

Report on Summarized Comparative Information

We have previously audited Indian River County Habitat for Humanity, Inc.'s 2015 financial statements, and our report dated September 21, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants

September 7, 2016

Indian River County Habitat for Humanity, Inc.
Statement of Financial Position
June 30, 2016
(With corresponding totals as of June 30, 2015)

	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 357,378	\$ 630,534
Current portion of mortgage loans	237,334	231,796
Current portion of pledges receivable	40,500	49,800
Costs of homes under construction	765,689	1,261,223
Inventory	440,874	432,270
Other current assets	31,961	38,921
Land available for sale	-	345,140
Total current assets	1,873,736	2,989,684
Other Assets:		
Restricted cash	293,379	297,679
Pledges receivable - noncurrent, net of discount	-	69,800
Non-interest bearing mortgage loans, net of discount	3,493,655	2,944,630
Property and equipment, net	4,859,427	3,471,519
Land held for development	1,913,115	2,286,135
Other assets	1,774	14,080
Amortizable NMTC costs, net	111,024	196,396
Investment in NMTC	5,048,183	4,998,549
Total other assets	15,720,557	14,278,788
Total assets	\$ 17,594,293	\$ 17,268,472
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 608,861	\$ 290,594
Escrow and warranty reserve	293,379	297,679
SHIP payable	-	21,169
Line of credit	625,635	630,714
Current portion of SHOP notes payable	45,852	32,352
Total current liabilities	1,573,727	1,272,508
Long-Term Liabilities:		
SHOP notes payable	144,153	154,134
New market tax credit loan payable	6,000,000	6,000,000
Less current portion of SHOP notes payable	(45,852)	(32,352)
Total long-term liabilities	6,098,301	6,121,782
Total liabilities	7,672,028	7,394,290
Net Assets:		
Unrestricted:		
Designated	1,547,180	2,817,632
Undesignated	8,216,105	6,464,503
Total unrestricted	9,763,285	9,282,135
Temporarily restricted	158,980	592,047
Total net assets	9,922,265	9,874,182
Total liabilities and net assets	\$ 17,594,293	\$ 17,268,472

See accompanying notes to financial statements.

Indian River County Habitat for Humanity, Inc.
Statement of Activities and Changes in Net Assets
For the Year ended June 30, 2016
(With corresponding totals as of June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	All Funds Combined
Public Support and Revenue				
Contributions	\$ 1,235,831	\$ 225,561	\$ 1,461,392	\$ 1,999,485
Grants	247,930	-	247,930	919,508
Transfers to homeowners	1,988,461	-	1,988,461	2,344,757
ReStore revenue	1,701,533	-	1,701,533	1,581,893
Mortgage loan discount amortization	264,513	-	264,513	366,271
Mortgage loan discount on loans sold	45,400	-	45,400	222,760
Fundraising and other income	625,848	-	625,848	571,885
Gain on sale of assets	71,281	-	71,281	10,206
Net assets released from restriction	658,628	(658,628)	-	-
Total public support and revenue	6,839,425	(433,067)	6,406,358	8,016,765
Expenses				
Family support services	4,631,079	-	4,631,079	4,986,556
ReStore	1,020,028	-	1,020,028	854,010
Fundraising and development	409,168	-	409,168	349,661
Management and general	298,000	-	298,000	250,731
Total program and supporting services	6,358,275	-	6,358,275	6,440,958
Impairment loss (Note 15)	-	-	-	265,260
Increase (decrease) in net assets	481,150	(433,067)	48,083	1,310,547
Net assets, beginning of year	9,282,135	592,047	9,874,182	8,563,635
Net assets, end of year	\$ 9,763,285	\$ 158,980	\$ 9,922,265	\$ 9,874,182

See accompanying notes to financial statements.

Indian River County Habitat for Humanity, Inc.

Statement of Functional Expenses

For the Year ended June 30, 2016

(With corresponding totals as of June 30, 2015)

	2016			2015
	Supporting Services			All Funds Combined
	Total			
	ReStore	Fundraising	Management and General	
Salaries and wages	\$ 535,781	\$ 161,798	\$ 193,915	\$ 1,322,508
Payroll taxes and benefits	138,625	33,290	40,644	355,336
Total payroll	674,406	195,088	234,559	1,677,844
Advertising	48,324	1,669	357	51,527
Cost of homes transferred	-	-	-	2,019,835
Other construction costs	-	-	-	265,765
Depreciation	70,708	9,286	19,977	125,602
Discount on mortgages	-	-	-	984,417
Insurance	35,807	10,656	7,776	92,673
Interest	-	-	-	60,728
Rent expense	20,560	2,613	1,599	30,915
Office expenses and miscellaneous	50,717	16,234	14,668	192,499
Postage and printing	2,514	18,023	889	24,689
Professional services	26,272	23,570	8,356	91,728
Property taxes	4,046	888	1,088	9,765
Public relations	-	5,971	-	5,971
Repairs and maintenance	43,936	3,374	3,529	73,503
Telephone	4,315	446	1,291	10,124
Tithe to International	-	-	-	226,529
Travel	891	171	2,156	4,819
Utilities	30,475	1,518	1,755	50,199
Volunteer recognition	2,398	6,085	-	15,019
Direct fundraising expense	4,659	113,576	-	118,235
New market tax credit expenses	-	-	-	85,372
Total expenses	\$ 1,020,028	\$ 409,168	\$ 298,000	\$ 6,358,275

See accompanying notes to financial statements.

Indian River County Habitat for Humanity, Inc.
Statement of Cash Flows
For the Year ended June 30, 2016
(With corresponding totals as of June 30, 2015)

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 48,083	\$ 1,310,547
Adjustments to reconcile increase in net assets to net cash flows used for operating activities:		
Transfers to homeowners, net of discount	2,011,377	(915,674)
Impairment loss	-	265,260
Depreciation	125,602	122,972
Amortization of new market tax credits	85,372	85,373
Mortgage loan discount	(309,988)	(588,956)
(Gain) Loss on sale of assets	(71,281)	(10,206)
In-kind contributions	14,566	(34,702)
(Increase) decrease in:		
Restricted cash	4,300	312,380
Grant, pledges and other receivables	87,851	(68,236)
Land held for development and cost of homes under construction	(1,575,076)	98,599
Investment in NMTC	(49,634)	(49,655)
Other assets	1,911	(88,349)
Increase (decrease) in:		
Accounts payable, escrow and accrued expenses	313,968	(199,695)
Net cash provided by operating activities	687,051	239,658
Cash flows from investing activities		
Purchase of fixed assets	(1,400,645)	(297,946)
Proceeds from sale of mortgage loans	303	468,698
Proceeds from sale of assets	16,750	2,802
Mortgage payments received	459,614	355,123
Net cash provided by (used for) investing activities	(923,978)	528,677
Cash flows from financing activities:		
Proceeds from SHOP notes and line of credit	151,356	982,720
Payments on mortgage, notes and line of credit	(187,585)	(1,557,958)
Net cash used for financing activities	(36,229)	(575,238)
Net increase (decrease) in cash	(273,156)	193,097
Cash, beginning of year	630,534	437,437
Cash, end of year	\$ 357,378	\$ 630,534
Supplemental disclosure of cash flow information:		
Interest paid	\$ 60,728	\$ 70,880
Supplemental disclosure of noncash activities:		
Issuance of non-interest bearing mortgage loans	\$ 1,646,937	\$ 2,026,567
Discount on non-interest bearing mortgage loans	\$ (674,503)	\$ (521,937)
Refinance of debt	\$ 630,715	\$ -

See accompanying notes to financial statements.

Indian River County Habitat for Humanity, Inc.

Notes to Financial Statements

For the Year ended June 30, 2016

Note 1 – Nature of Organization and Summary of Significant Accounting Policies**Organization and Purpose**

The Indian River County Habitat for Humanity, Inc. (“Habitat”) is a Florida nonprofit organization that was incorporated on March 19, 1990. Habitat is an affiliate of Habitat for Humanity International, Inc., 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 for Humanity International, Inc. assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principals, using the accrual basis of accounting.

Basis of Presentation

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash Equivalents

Cash and cash equivalents include cash and investments that are readily convertible into cash and have original maturities of three months or less. Amounts held in individual financial institutions may exceed FDIC insured limits. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Unconditional Promises to Give

Unconditional promises to give (pledges), e.g., pledged capital campaign contributions, are recognized as revenue and as assets in the year the pledge is received. Unconditional promises to give that are scheduled to be collected in the succeeding twelve months are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give that are scheduled to be collected beyond the succeeding twelve months are reflected as long-term promises to give and are recorded at the present value of their net realizable value. Management considers the unconditional promises receivable at year-end to be fully collectible, therefore, an allowance for uncollectible promises has not been recorded.

Indian River County Habitat for Humanity, Inc.
Notes to Financial Statements (continued)

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of donated merchandise to the Restore, primarily household items and construction materials, held for sale and valued at estimated sale prices.

Property and Equipment

Property and equipment acquisitions greater than \$500 are capitalized and are stated at cost. Donated property and equipment is recorded at the fair market value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful life of the asset, which ranges from 3 - 40 years.

Land Held for Development

Land held for development is recorded at cost and includes land under development, developed lots, and carrying costs incurred during the development period. Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss was recorded as of June 30, 2015 as disclosed further in Note 15. No additional impairment was recorded for the year ended June 30, 2016.

Land Available for Sale

Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs only if the estimated future undiscounted net cash flows from the real estate inventories are less than the carrying amount.

Escrow and Warranty Reserves

Habitat services certain mortgages on homes whereby cash amounts are received from homeowners in escrow for insurance, property taxes, and association maintenance. In addition, each home carries a one-year warranty and management has established reserves to cover estimated potential costs. Escrow funds and warranty reserves are used to pay costs as they become due. At June 30, 2016, restricted cash of \$293,379 is held to cover these reserves.

Revenue Recognition

- **Transfers to Homeowners**

Transfers to homeowners are recorded at stipulated values that are comparable to market values, less the face value of second mortgages held (see Note 15). 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 is recognized as interest income over the term of the mortgage.

- **Restore**

Restore revenue includes the revenue collected on merchandise sold.

Indian River County Habitat for Humanity, Inc.
Notes to Financial Statements (continued)

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Contributed Services

Habitat receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, administration and program services. However, these amounts have not been recognized in the accompanying financial statements because the criteria for recognition of such volunteer effort under ASC 958-605-25-16 have not been satisfied.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

Habitat is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior Period Information

The financial statements include certain prior year corresponding totals intended to be read only in relation to the current period presentation. The corresponding information was derived from Habitat's audited financial statements for the year ended June 30, 2015, but herein, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year corresponding totals may also reflect certain reclassifications of amounts to conform to current year presentations.

Note 2 – Concentrations of Credit Risk

Financial instruments which potentially subject Habitat to concentration of credit risk include mortgages receivable secured by real property. Habitat considers this risk to be nominal and that any such losses that might be sustained to be part of its mission.

Indian River County Habitat for Humanity, Inc.
Notes to Financial Statements (continued)

Note 3 – Non-Interest Bearing Mortgage Loans, net of discounts

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. Mortgages have an original maturity ranging from 15 to 30 years, and have been discounted with rates ranging from 7.0% to 9.0%. Following is a summary of non-interest bearing mortgage loans at June 30, 2016, which management has estimated to be fully collectible or recoverable through foreclosure and re-sale:

Non-interest bearing mortgage loans at face value	\$ 8,340,826
Unamortized discount on mortgages	(4,609,837)
	<u>\$ 3,730,989</u>
Less than one year	\$ 237,334
Greater than one year	3,493,655
	<u>\$ 3,730,989</u>

Note 4 – Home Construction Activity

Following is a summary of home building activity for the year ended June 30, 2016:

	Number	Costs
New and Rehab homes under construction, July 1, 2015	32	\$ 1,261,223
Additional costs incurred on beginning inventory		1,114,740
New homes started during the year	7	322,150
Recycled / Rehab home costs	1	33,058
New homes sold	(17)	(1,604,441)
Transfer to PP&E	(1)	(114,947)
Recycled / Rehab homes sold	(4)	(246,094)
Homes under construction, June 30, 2016	18	<u>\$ 765,689</u>

The eighteen homes under construction on June 30, 2016 are detailed as follows:

	Number	Costs
New construction	7	\$ 229,417
Recycled / Rehab homes	11	536,272
Homes under construction, June 30, 2016	18	<u>\$ 765,689</u>

Indian River County Habitat for Humanity, Inc.
Notes to Financial Statements (continued)

Note 5 – Property and Equipment, net

The following is a summary of property and equipment at June 30, 2016:

Construction equipment	\$ 20,062
Furniture and fixtures	129,687
ReStore and warehouse	2,404,594
Computer equipment	51,782
Computer software	59,316
Other equipment	720
ReStore equipment	44,466
Vehicles	142,904
Land - office complex	585,417
Office and training center	1,017,175
Other real estate owned	114,947
Construction in progress	1,393,593
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	5,964,663
Accumulated depreciation	(1,105,236)
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	\$ 4,859,427
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Note 6 – New Market Tax Credit and Amortizable Costs

On April 15, 2010 Habitat invested, along with one other Habitat affiliate, in a joint venture (HFHI-SA Leverage IV, LLC) to take advantage of the New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors who will receive tax credits to be applied against their federal tax liability. As a result, Habitat has invested \$4,739,361 and was able to secure a 30 year loan, with a stated interest rate of 0.79% in the amount of \$6,000,000 payable to a community development entity (an affiliate of the joint venture). Interest payments are made semi-annually, and if Habitat follows the guidelines of the loan agreement, the loan amount will be forgiven after seven years. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. In order to participate in this joint venture, Habitat incurred closing costs which are being amortized over 30 years and guaranty fees which are being amortized over 7 years. The following is a summary of the amortizable costs at June 30, 2016:

Closing costs	\$ 52,019
Guaranty fees	585,464
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	637,483
Accumulated amortization	(526,459)
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	\$ 111,024
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Indian River County Habitat for Humanity, Inc.
Notes to Financial Statements (continued)

Note 7 – Investment in NMTC

The investment in NMTC is considered a financial instrument and is accounted for under the equity method of accounting. The carrying value has not been evaluated for impairment.

Note 8 - Line of Credit

On July 7, 2014, Habitat entered to a secured line of credit in the amount of \$1,000,000. The line of credit bears interest variable monthly at the London Interbank Offered Rate (LIBOR) plus 2.15%. The line is secured by substantially all the accounts and personal property of the entity and expires December 31, 2016. As of June 30, 2016, Habitat has an outstanding balance on this line of \$79,016.

On September 28, 2012, Habitat received a secured line of credit in the amount of \$2,500,000, with an adjustable rate of interest. The interest rate will be adjusted based on the Eastern edition of the Wall Street Journal Prime Rate minus one percent, with a rate floor of 2.25%. This line of credit is secured by their campus located on U.S. Highway 1 in Indian River County, Florida. The line matures on November 24, 2018. As of June 30, 2016, the outstanding balance is \$546,619.

Note 9 – Net Assets, Designated

Designated net assets consist of resources that have been voluntarily set aside by Habitat for the construction of homes that have been awarded to applicants.

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 are restricted by purpose and time for the following:

Scholarship	\$ 118,480
Pledges receivable	40,500
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	\$ 158,980

Note 11 – Net Assets Released from Restriction

During the year, net assets were released from donor restrictions due to the passage of time and usage as follows:

Garden Plants	\$ 250
Housing Counseling	41,667
Scholarship	81,326
Phase 1 ReStore Expansion	535,385
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	\$ 658,628

Indian River County Habitat for Humanity, Inc.
Notes to Financial Statements (continued)

Note 12 – Transactions with Habitat for Humanity International, Inc.

By covenant agreement with Habitat for Humanity International, Inc., Habitat remits 10% of its contributions (excluding in-kind and capital campaign contributions) to construct homes in economically depressed areas around the world. For the year ended June 30, 2016, Habitat contributed \$226,529 toward this effort.

Note 13 – Transfers to Homeowners-Second Mortgages / Shared Appreciation Agreements

Habitat requires that, on the date of transfer, the homeowners sign a shared appreciation agreement in addition to any second mortgage which may be recorded. The intent of these instruments is to deter homeowners from immediately selling their newly acquired homes for a profit. The second mortgage represents the approximate difference between the fair market value of the home at the date of transfer, less the amount equal to the funds needed to put the homeowners' monthly mortgage payment at 20% of the family's gross monthly income. The second mortgage amount generally ranges between \$10,000 to \$45,000 per home. The shared appreciation agreement systematically allocates a specific percentage of property appreciation to the homeowner and Habitat, on a declining basis over twenty years from the date of transfer. At such time, the shared appreciation agreement terminates. The payment of the second mortgage, and any amount which may be due under the shared appreciation agreement, are only due upon sale of property from the original homeowner to a non-qualifying party. Since this event will occur sometime in the unforeseeable future, and which will be beyond the organization's control, the present value of said mortgages cannot be readily determined. Accordingly, neither the face value nor present value of second mortgages held, are included in the financial statements. The face value of second mortgages held as of June 30, 2016 amounts to \$2,348,804.

Note 14 – Fair Value Measurement

ASC Topic 820, "Fair Value Measurements and Disclosures", defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. ASC Topic 820 establishes and prioritizes three levels of inputs that may be used to measure fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable market data for substantially the full term of the assets or liabilities.

Indian River County Habitat for Humanity, Inc.
Notes to Financial Statements (continued)

Note 14 – Fair Value Measurement (continued)

Level 3 – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The following methods and assumptions were used by Habitat in estimating its fair value disclosures for financial instruments on a nonrecurring basis:

- Cash, cash equivalents, current portion of pledge receivable, accounts receivable, cost of homes under construction, accounts payable, notes payable and line of credit: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments. For long-term assets and liabilities, Habitat will continue to utilize the exemption from certain disclosure requirements for financial instruments provided by FASB ACS 825-10-50-3.
- Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a 4% rate of return.
- Mortgage loan receivable: The fair value of mortgage loan receivable is estimated by discounting expected future cash flows using a 7-9% rate of return.
- Land held for development: The fair value of land held for development is estimated by management based on current tax appraised values and other information compiled from industry experts, historical real estate transactions, and Indian River County property records.

The following table presents Habitat's assets measure at fair value on a non-recurring basis at June 30, 2016:

	Level 1	Level 2	Level 3
Mortgage loans receivable	\$ -	\$ -	\$ 3,730,989
Pledges receivable	-	-	40,500
Land held for development	-	-	1,913,115
	\$ -	\$ -	\$ 5,684,604

Indian River County Habitat for Humanity, Inc.
Notes to Financial Statements (continued)

Note 15 – Impairment Loss

In accordance with generally accepted accounting principles, certain assets require the recognition of an impairment loss whenever events or changes in circumstances have indicated that an asset may be impaired and the estimated future cash flows from that asset are less than the asset's carrying amount. The impairment loss is measured as the difference between the asset's carrying amount and its fair value.

During the year ended June 30, 2015, Habitat recorded an impairment loss of \$265,260 related to the fair value of land held for development at that date. No further impairment was determined for the year ended June 30, 2016. Land held for development is therefore presented at fair value at June 30, 2016, as per the following table:

	2016
Land held for development at cost	\$ 3,616,540
Allowance for impairment	(1,703,425)
Land held for development at fair value	\$ 1,913,115

Note 16 – Disclosure of Subsequent Events

Management has evaluated subsequent events through September 7, 2016, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustments to, or disclosure in, the accompanying financial statements.