

Financial Report

Habitat for Humanity St. Tammany West

June 30, 2015



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June 30, 2015

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Habitat for Humanity St. Tammany West,
Mandeville, Louisiana.

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity St. Tammany West (a non-profit organization) (HFHSTW) which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 contained 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 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 HFHSTW'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 HFHSTW'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 St. Tammany West 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 Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. The 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity St. Tammany West financial statements, and our report dated November 21, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated November 19, 2015 on our consideration of the HFHSTW's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 HFHSTW's internal control over financial reporting and compliance.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
November 19, 2015.

STATEMENT OF FINANCIAL POSITION

Habitat for Humanity St. Tammany West

Mandeville, Louisiana

June 30, 2015

(with comparative totals for 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents		
Unrestricted	\$ 447,754	\$ 192,025
Reserved - escrow deposits	134,560	160,458
Mortgage notes receivable - current portion, net (Note 4)	490,185	597,843
Pledges receivable - current portion, net (Note 5)	87,993	50,239
Grants receivable	99,728	42,331
Accounts receivable	47,412	65,144
Inventory	30,853	33,315
Other assets	14,186	15,018
Construction in progress	339,381	129,712
	<u>1,692,052</u>	<u>1,286,085</u>
Total current assets		
Property And Equipment (Note 2j)		
Building and improvements	1,639,722	1,639,722
Land	657,843	656,593
Vehicles	144,712	151,274
Office furniture and equipment	104,857	126,565
Less accumulated depreciation	(689,201)	(659,352)
	<u>1,857,933</u>	<u>1,914,802</u>
Total property and equipment, net		
Other Assets		
Long term portion of mortgage notes receivable, net of unamortized discounts (Note 4)	3,200,705	4,342,552
Investment in HFHI-SA Leverage I, LLC (Note 6)	3,274,515	3,255,066
Land held for future home sites	456,574	558,716
Loan obligation costs, net (Note 2l)	-	39,509
Security deposits	1,532	-
Long-term portion of pledges (Note 5)	27,544	17,605
	<u>6,960,870</u>	<u>8,213,448</u>
Total other assets		
Total assets	<u>\$ 10,510,855</u>	<u>\$ 11,414,335</u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Accounts payable, accrued expenses, and other	\$ 161,453	\$ 136,927
Lines of credit (Note 7)	300,000	400,000
Current maturities of notes payable (Note 8)	49,664	136,086
Deferred revenue	-	21,344
Escrow deposits	<u>134,560</u>	<u>160,458</u>
Total current liabilities	<u>645,677</u>	<u>854,815</u>
Long-Term Liabilities		
Long-term portion of notes payable (Note 8)	701,911	2,722,890
QLICI note payable (Note 6)	<u>3,757,086</u>	<u>3,757,086</u>
Total long term liabilities	<u>4,458,997</u>	<u>6,479,976</u>
Total liabilities	<u>5,104,674</u>	<u>7,334,791</u>
Net Assets		
Unrestricted	5,290,644	4,011,700
Temporarily Restricted (Note 5 and 9)	<u>115,537</u>	<u>67,844</u>
Total net assets	<u>5,406,181</u>	<u>4,079,544</u>
Total liabilities and net assets	<u>\$ 10,510,855</u>	<u>\$ 11,414,335</u>

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**Habitat for Humanity St. Tammany West**
Mandeville, LouisianaFor the year ended June 30, 2015
(with comparative totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Totals	
Support and Revenue				
Sales of houses (Note 10)				
Sales revenue	\$ 796,855		\$ 796,855	\$ 1,232,006
Less: mortgage note receivable discount	(455,890)		(455,890)	(746,543)
Amortization of mortgage note receivable discount (Note 10)	486,714		486,714	388,628
ReStore revenues	833,710		833,710	883,284
Grants	259,254		259,254	308,079
Contributions	417,035		417,035	369,334
Event revenues				
Event income	115,566	\$ 145,890	261,456	200,358
Event expenses	(42,760)		(42,760)	(27,878)
HFHI-SA investment income (Note 6)	47,963		47,963	95,926
Contributions in-kind	104,313		104,313	189,704
Gain on sale of mortgage receivables	1,251,704		1,251,704	-
Other revenue	11,696		11,696	24,670
Net assets released from restrictions	98,197	(98,197)	-	-
	<u>3,924,357</u>	<u>47,693</u>	<u>3,972,050</u>	<u>2,917,568</u>
Expenses				
Program services				
Housing	1,596,421		1,596,421	2,455,670
ReStore	610,209		610,209	684,198
Supporting services				
Management and general	257,220		257,220	222,947
Fundraising	181,563		181,563	166,773
	<u>2,645,413</u>	<u>-</u>	<u>2,645,413</u>	<u>3,529,588</u>
Changes in net assets	1,278,944	47,693	1,326,637	(612,020)
Net assets				
Beginning of year	<u>4,011,700</u>	<u>67,844</u>	<u>4,079,544</u>	<u>4,691,564</u>
End of year	<u>\$ 5,290,644</u>	<u>\$ 115,537</u>	<u>\$ 5,406,181</u>	<u>\$ 4,079,544</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Habitat for Humanity St. Tammany West**
Mandeville, LouisianaFor the year ended June 30, 2015
(with comparative totals for 2014)

	Program Expenses		Supporting Services		Totals	
	Housing	ReStore	Management and General	Fund-Raising	2015	2014
Wages	\$ 437,472	\$ 258,710	\$ 134,920	\$ 115,563	\$ 946,665	\$ 1,069,355
Occupancy						
Interest	78,360	16,536	30,679	992	126,567	166,704
Utilities	12,851	29,345	4,769	3,352	50,317	49,897
Insurance	25,304	16,459	2,821	4,702	49,286	51,536
Repairs and maintenance	9,528	16,475	4,133	2,117	32,253	19,308
Total occupancy	126,043	78,815	42,402	11,163	258,423	287,445
Operating						
Direct construction costs - NMTC	139,627	-	-	-	139,627	210,821
Direct construction costs - other	670,297	-	-	-	670,297	1,083,962
Cost of goods sold	-	47,458	-	-	47,458	41,628
Supplies and general	2,810	6,770	2,938	915	13,433	15,666
Vehicle fuel, insurance, and maintenance	6,392	6,733	791	131	14,047	17,894
Other operating costs	46,598	76,813	23,580	25,186	172,177	144,039
Total operating	865,724	137,774	27,309	26,232	1,057,039	1,514,010
Administrative						
Payroll taxes and benefits	102,195	57,662	16,300	27,031	203,188	234,519
Professional fees	59,173	28,508	34,222	790	122,693	106,388
Total administrative	161,368	86,170	50,522	27,821	325,881	340,907
Depreciation	5,814	48,740	2,067	784	57,405	62,715
Impairment Loss (Note 13)	-	-	-	-	-	255,156
Total functional expenses	\$ 1,596,421	\$ 610,209	\$ 257,220	\$ 181,563	\$ 2,645,413	\$ 3,529,588

See notes to financial statements.

STATEMENT OF CASH FLOWS**Habitat for Humanity St. Tammany West**
Mandeville, LouisianaFor the year ended June 30, 2015
(with comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ 1,326,637	\$ (612,020)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	57,405	62,715
Impairment loss	-	255,156
Loss on disposal of assets	5,895	576
Loss on sale of land for future homesites	41,849	-
Income from HFHI-SA Leverage I, LLC	(47,962)	(95,926)
Amortization of loan obligation costs	39,509	39,507
Interest and loan charges included in refinancing	-	1,892
Donations of land held for future home sites	(36,000)	(40,000)
Donation of land (property)	-	(115,764)
Decrease (increase) in assets:		
Mortgage notes receivable	1,249,505	(187,208)
Pledges receivable	(47,693)	(27,927)
Grants receivable	(57,397)	(27,237)
Accounts receivable	17,732	26,350
Inventory	2,462	12,663
Other assets	832	6,195
Construction in progress	(209,669)	497,398
Prepaid loan costs	-	16,394
Security deposits	(1,532)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	24,526	(30,529)
Deferred revenue	(21,344)	1,909
Accrued remediation costs	-	(20,000)
Escrow deposits	(25,898)	19,875
Net cash provided by (used in) operating activities	<u>2,318,857</u>	<u>(215,981)</u>

**Exhibit D
(Continued)**

	<u>2015</u>	<u>2014</u>
Cash Flows From Investing Activities		
Distribution from HFHI-SA Leverage I, LLC	28,513	28,513
Purchases of property and equipment	(6,431)	-
Proceeds from sale of land held for future home sites	228,095	96,454
Purchases of land held for future home sites	<u>(131,802)</u>	<u>(43,655)</u>
Net cash provided by investing activities	<u>118,375</u>	<u>81,312</u>
Cash Flows From Financing Activities		
Proceeds from lines of credit	150,000	250,000
Proceeds from notes payables	45,420	514,933
Repayments of lines of credit	(250,000)	(475,000)
Principal payments on notes payable	<u>(2,152,821)</u>	<u>(140,754)</u>
Net cash provided by (used in) financing activities	<u>(2,207,401)</u>	<u>149,179</u>
Net Increase In Cash and Cash Equivalents	229,831	14,510
Cash and Cash Equivalents		
Beginning of year	<u>352,483</u>	<u>337,973</u>
End of year	<u>\$ 582,314</u>	<u>\$ 352,483</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Habitat for Humanity St. Tammany West**
Mandeville, Louisiana

June 30, 2015 and 2014

Note 1 - NATURE OF ACTIVITIES

Habitat for Humanity St. Tammany West (HFHSTW) was founded in 1981 as the tenth affiliate of Habitat for Humanity International and first in the State of Louisiana. HFHSTW's vision is a world where everyone has a decent place to live and its mission is implemented by bringing people together to build homes, communities, and hope. HFHSTW identifies and acquires building sites and builds housing for workforce and low-income family partners. These homes, located in the western half of St. Tammany Parish, are sold to qualified family partners who have contributed 200-300 hours of sweat equity and signed non-interest bearing mortgage notes. HFHSTW relies heavily on volunteer efforts, donations from individuals, churches and companies, Habitat's Fund for Humanity, government and private grants, and various other financing vehicles to fund the construction projects.

Habitat's Fund for Humanity consists of non-interest bearing mortgage receivable payments from existing homeowners (see Note 4). In effect, homeowners, when making monthly mortgage payments for their homes, are supporting the construction financing for future homeowners.

HFHSTW also operates a 20,000 square foot ReStore facility from which it primarily sells donated building materials and home furnishings to middle and low income customers. The net proceeds from ReStore operations are used to fund the acquisition of some of the building sites and construction of some of the homes referred to in the previous paragraphs.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization and Income Taxes**

HFHSTW is a nonprofit organization organized under the laws of the State of Louisiana and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), and qualifies as an organization that is not private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 47.121(5).

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Organization and Income Taxes (Continued)

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2015, management believes HFHSTW has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2012 and later remain subject to examination by the taxing authorities.

b. Basis of Accounting

The financial statements of HFHSTW are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

c. 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 impact certain reported amounts and disclosures. Actual results could differ from those estimates.

d. Basis of Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HFHSTW and changes thereto are classified and reported as:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of HFHSTW and/or the passage of time.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basis of Presentation (Continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by HFHSTW. Generally, the donors of such assets permit the donor to use all or part of the income earned from these assets for general or specific purposes. As of June 30, 2015 and 2014, HFHSTW had no permanently restricted net assets.

e. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, HFHSTW considers all short-term highly liquid investments with an original maturity of one year or less from the date of acquisition to be cash equivalents.

f. Reserved Cash

HFHSTW services the mortgages on the homes it sells. Included in cash and cash equivalents are amounts received from homeowners for insurance and property taxes and for mortgage payments received prior to closing. Reserved cash for escrow deposits as of June 30, 2015 and 2014 was \$134,560 and \$160,458, respectively.

g. Mortgage Notes Receivable

Mortgage notes receivable consist of non-interest bearing mortgage notes which are collateralized by real estate in the St. Tammany West area and payable in monthly installments over the life of the mortgage loans. The mortgage notes receivable are net of discounts, which represent the difference between the stated amount of the mortgage notes and the present value based on an imputed amount of interest. The discounts are amortized over the lives of the mortgage loans. The imputed interest rates are set by Habitat for Humanity International. The rates are based on a twelve month average rate published by the Internal Revenue Service plus a risk factor of 3%. Mortgage notes receivable are considered past due if payments are more than thirty days late. Management believes that the values of such collateral are in excess of the mortgage notes receivable as of June 30, 2015 and 2014 and therefore no allowance for losses has been provided.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Pledges Receivable

Contributions are recognized when the donor makes a pledge to HFHSTW that is, in substance, unconditional. Conditional pledges are recognized when the conditions on which the pledge are substantially met. Pledges receivable are recognized as assets, net of an allowance for uncollectible amounts. HFHSTW provides for estimated uncollectible pledge receivables based on prior years' experience and management's analysis of specific pledges made. As of June 30, 2015 and 2014, the allowance for uncollectible amounts totaled \$12,102 and \$9,985, respectively.

i. Inventory

Inventory represents building materials and goods to be sold in the ReStore operations, as well as building materials and goods on hand for use in the construction of homes. Gift in-kind inventory is recorded at the fair value on the date of receipt, and such items are expensed as program services expense when used based on the specific identification method. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method. As of June 30, 2015 and 2014, inventory totaled \$30,853 and \$33,315, respectively.

j. Property and Equipment

Property and equipment consists of land, buildings and improvements, office furniture and equipment, and is stated at cost or fair market value at date of donation, net of accumulated depreciation. Repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Buildings are depreciated over thirty years. Other depreciable property and equipment is depreciated over five to twelve years. HFHSTW has established a policy capitalizing all expenditures for property and equipment in excess of \$5,000 with a useful life of five or more years. For the years ended June 30, 2015 and 2014, depreciation expense totaled \$57,405 and \$62,715, respectively.

k. Construction in Progress

Construction in progress represents all direct material, labor, land, and infrastructure costs incurred to construct family housing. Revenue is recognized under the full accrual method when a sale is consummated and the homeowner is obligated under a mortgage.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Construction in Progress (Continued)

As of June 30, 2015 and 2014, construction in progress included:

	2015	2014
New homes under construction	\$ 213,647	\$ 67,757
Repossessed homes	125,734	61,955
Total construction in progress	\$ 339,381	\$ 129,712

l. Loan Obligation Costs

Certain costs related to the New Markets Tax Credit Financing (see Note 6) have been capitalized and are being amortized over the estimated life of the related notes payable. Financing and loan acquisition costs totaled \$39,509 for the year ended June 30, 2014. Accumulated amortization totaled \$233,752 and \$194,243 as of June 30, 2015 and 2014, respectively.

m. Compensated Absences

Accumulated paid time off is payable upon termination of employment and is accrued. HFHSTW's obligation as of June 30, 2015 and 2014 totaled \$56,556 and \$61,669, respectively, which is included in accounts payable and accrued expenses on the Statement of Financial Position.

n. Contributions and Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions were made. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Contributions and Revenue Recognition (Continued)

Significant contributions of non-cash assets such as materials and equipment used in construction of homes are recorded as deferred revenue at their fair or estimated values in the period received. When the non-cash asset is utilized in the construction of homes it is then recorded as revenue. There were no non-cash assets recorded as deferred revenue and held for construction as of June 30, 2015. The balance of non-cash assets recorded as deferred revenue and held for construction as of June 30, 2014 totaled \$21,344.

o. Donated Services of Volunteers and Other In-Kind Donations

A substantial number of volunteers have given extensive amounts of time and services to HFHSTW. However, no amounts are reflected in the financial statements for such services as management feels that the requirements for recording in-kind services have not been satisfied. Other contributed services that require specialized skills provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation are recognized as revenue and expense and totaled \$10,895 and \$22,858 for the years ended June 30, 2015 and 2014, respectively.

Donations of materials, supplies, and other totaled \$93,418 and \$166,846 for the years ended June 30, 2015 and 2014, respectively.

p. Sales Tax

The State of Louisiana and St. Tammany Parish impose a combined sales tax of 8.75% on all of HFHSTW sales to non-exempt customers. HFHSTW collects that sales tax from customers and remits the entire amount to the State. For the years ended June 30, 2015 and 2014, HFHSTW paid state sales taxes totaling \$69,507 and \$73,853, respectively. Sales tax collected and paid is not reported as revenues and expenses on the statement of activities and charges in net assets.

q. Advertising Expense

HFHSTW uses advertising to promote ReStore operations and fundraising activities. The production costs of advertising are expensed as incurred. For the years ended June 30, 2015 and 2014, advertising costs totaled \$20,681 and \$25,363, respectively.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Allocated Expenses

Expenses are summarized on a functional basis. Salaries and related payroll expenses are distributed based upon the time spent for each function. Allocation of all other shared expenses is based upon management's estimates of the usage applicable to conducting various program or support activities.

s. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 19, 2015.

Note 3 - CONCENTRATION OF CREDIT RISK

HFHSTW builds and rehabilitates homes in the St. Tammany West area. As a result, all of the mortgage receivables from homeowners are concentrated as to geographic risk. Also, all homes built are transferred to low-income families, which can represent a credit risk.

HFHSTW maintains cash balances at several local financial institutions where the funds are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of June 30, 2015 and 2014, HFHSTW had no cash deposits in excess of the insured limits.

Note 4 - MORTGAGE NOTES RECEIVABLE

HFHSTW sells its completed homes to family partners in exchange for a mortgage note (see Note 10) secured by the residence with typical repayment terms over 15 to 35 years and bearing 0% interest. As of June 30, 2015, HFHSTW held 182 non-interest bearing loans, 20 of which (\$949,935 gross carrying value) are pledged to secure certain notes payable. As of June 30, 2014, HFHSTW held 222 non-interest bearing loans, 96 of which (\$4,556,464 gross carrying value) were pledged to secure certain notes payable (see Note 8).

Note 4 - MORTGAGE NOTES RECEIVABLE (Continued)

During the year ended June 30, 2015, HFHSTW sold 43 of its loans (\$3,144,753 gross carrying value) with recourse to a financial institution for 85% of face value. The loans are considered to be delinquent after 90 days of non-payment of principal. HFHSTW will replace any delinquent loans with a loan in good standing. HFHSTW has retained servicing of these loans.

As of June 30, 2015 and 2014, a summary of the mortgage notes receivable was:

	2015	2014
Mortgage notes receivable	\$ 8,066,805	\$ 11,070,553
Unamortized discount	(4,375,915)	(6,130,158)
Net	\$ 3,690,890	\$ 4,940,395
Current	\$ 490,185	\$ 597,843
Long-term	3,200,705	4,342,552
Totals	\$ 3,690,890	\$ 4,940,395

As of June 30, 2015, contractual maturities of mortgage receivables were as follows:

2016	\$ 490,185
2017	489,192
2018	486,152
2019	480,153
2020	472,633
Thereafter	5,648,490
Total	\$ 8,066,805

Note 5 - PLEDGES RECEIVABLE

Beginning in the year ended June 30, 2013 and for each year thereafter, HFHSTW held the Community Partners Breakfast (CPB) in which donors made unconditional promises to give for up to five years. These long-term pledges were discounted using a rate of 5%. Management estimated \$12,102 and \$9,985 of pledges to be uncollectible as of June 30, 2015 and 2014, respectively.

Note 5 - PLEDGES RECEIVABLE (Continued)

As of June 30, 2015 and 2014, a summary of the CPB pledges receivable is as follows:

	2015	2014
Pledges receivable at beginning of year	\$ 81,139	\$ 49,697
New CPB pledges made during the year	158,175	116,240
Less:		
Cash received	(96,968)	(79,698)
Write - offs	(10,600)	(5,100)
Pledges receivable at end of year	131,746	81,139
Unamortized discount	(4,107)	(3,310)
Allowance for doubtful promises	(12,102)	(9,985)
Pledges receivable, net	\$ 115,537	\$ 67,844
Current portion	\$ 87,993	\$ 50,239
Long-term	27,544	17,605
Totals	\$ 115,537	\$ 67,844

Future maturities of pledges receivable are as follows:

2016	\$ 97,497
2017	29,500
2018	2,450
2019	2,200
2020	100
Total	\$ 131,747

Note 6 - NEW MARKETS TAX CREDIT

On July 1, 2008, HFHSTW invested, along with four other Habitat for Humanity affiliates, in a joint venture, HFHI-SA Leverage I, LLC (the LLC), 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, in exchange, will receive new market tax credits to be applied against their federal tax liability. HFHSTW's total investment in the LLC as of June 30, 2015 and 2014 totaled \$3,274,515 and \$3,255,066, respectively. Interest income earned on the investment in the LLC totaled \$47,693 and \$95,926 for the years ended June 30, 2015 and 2014, respectively. HFHSTW secured a 15 year loan in the amount of \$3,757,086 payable to a community development entity ("QLICI note payable"). The loan proceeds have been and will continue 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 through seven at the rate of 0.759% per annum. Interest expense on this note totaled \$28,513 for both years ended June 30, 2015 and 2014. The balance of the note payable as of June 30, 2015 and 2014 was \$3,757,086 on both dates. In year eight, this loan was forgiven (see Note 15).

As of June 30, 2015, the closing costs related to the NMTC were fully amortized. As of June 30, 2014, there was \$39,509 of unamortized closing costs net of amortization in the Statement of Financial Position. These costs are being amortized over seven years on a straight line basis.

Note 7 - LINES OF CREDIT

In February 2013, HFHSTW obtained a line of credit at a financial institution with an interest rate of 3.25%, with an original maturity date of February 19, 2014. This line of credit was renewed during 2014 with a maturity date of May 14, 2015. During 2015, this line of credit was renewed with a maturity date of June 14, 2016. Borrowings under the line are collateralized by certain assets of HFHSTW. The maximum borrowing limit is \$1,000,000. As of June 30, 2015 and 2014, HFHSTW had outstanding balances of \$300,000 and \$400,000, respectively. For the years ended June 30, 2015 and 2014, interest expense on the line of credit totaled \$14,110 and \$12,560, respectively.

Note 8 - NOTES PAYABLE

As of June 30, 2015 and 2014, HFHSTW had the following notes payable:

	2015	2014
<p>Note payable to Home Bank. The note is due in 93 equal installments of \$4,349 and one balloon payment estimated at \$428,200. The note bears interest at 4.5% and is secured by ReStore land and buildings.</p>	\$ 635,793	\$ -
<p>Note payable to Home Bank. The note was due in 119 equal installments of \$12,263 and one balloon payment estimated at \$1,192,122. The note bore interest at 4.5% and was secured by ReStore land and buildings. This loan was repaid in 2015.</p>	-	2,282,643
<p>Note payable to Home Bank. The note was due in 120 equal installments of \$5,197. The note bore interest at 4.5% and was secured by ReStore land and buildings. The loan was repaid in 2015.</p>	-	483,325
<p>Note payable to Habitat for Humanity International. The note is due in 47 monthly installments of principal of \$1,302 beginning June 2011, with the final payment of \$1,306 due July 1, 2015. The note does not bear interest and is unsecured.</p>	7,555	23,179
<p>Note payable to Habitat for Humanity International. The note is due in 47 monthly installments of principal of \$847 beginning January 2015 with the final payment of \$891 due January 2019. The note does not bear interest and is unsecured.</p>	37,000	34,488

Note 8 - NOTES PAYABLE (Continued)

	2015	2014
Note payable to Habitat for Humanity International. The note is due in 47 monthly installments of principal of \$585 beginning July 2013 with the final payment of \$630 due June 2017. The note does not bear interest and is unsecured.	17,595	24,615
Note payable to Habitat for Humanity international. The note is due in 47 monthly installments of principal of \$539 beginning January 2017 with the final payment of \$567 due January 2021. The note does not bear interest and is unsecured.	22,200	-
Note payable to Habitat for Humanity International. The note is due in 47 monthly installments of principal of \$524 beginning July 2016 with the final payment of \$528 due June 2020. The note does not bear interest and is unsecured.	17,844	-
Note payable to Habitat for Humanity International. The note is due in 47 monthly installments of principal of \$446 beginning January 2016 with the final payment of \$488 due January 2020. The note does not bear interest and is unsecured.	13,588	10,726
Less current portion	751,575 <u>(49,664)</u>	2,858,976 <u>(136,086)</u>
Long term	<u>\$ 701,911</u>	<u>\$ 2,722,890</u>

Note 8 - NOTES PAYABLE (Continued)

Future principal payments to be made on these notes are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 49,664
2017	68,376
2018	51,663
2019	40,099
2020	34,352
Thereafter	<u>507,421</u>
Total	<u>\$ 751,575</u>

Total interest expense for the above notes payable totaled \$83,944 and \$125,628 for the years ended June 30, 2015 and 2014, respectively.

Note 9 - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2015 and 2014, HFHSTW temporarily restricted net assets of \$115,537 and \$67,844, respectively are time restricted by donors.

Note 10 - SALES OF HOUSES

HFHSTW charges no interest on the mortgages receivable from its partner families. The mortgages are recorded net of a discount to present value, considering both the time value of money and the historic credit risk associated with HFHSTW's homeowners. The result is a significant non-cash reduction of revenue. The discount is then amortized as interest income over the life of the mortgage as principal payments are collected. For the years ended June 30, 2015 and 2014, the following amounts are included in the Statements of Activities and Changes in Net Assets:

	<u>2015</u>	<u>2014</u>
Sales of houses		
Sales income	\$ 796,855	\$ 1,232,006
Mortgage discount expense	<u>(455,890)</u>	<u>(746,543)</u>
Sales of houses, net of discount expense	<u>\$ 340,965</u>	<u>\$ 485,463</u>
Amortization income on mortgage notes receivable discount	<u>\$ 486,714</u>	<u>\$ 388,628</u>

Note 11 - RETIREMENT PLAN

HFHSTW adopted a defined contribution plan, which allows eligible participating employees to contribute by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Plan allows HFHSTW to contribute a discretionary amount on a uniform basis to all participants, 50% of a participant's contribution up to 3% of compensation. HFHSTW's contribution to the Plan totaled \$15,764 and \$14,876 for the years ended June 30, 2015 and 2014, respectively.

Note 12 - OPERATING LEASE

During the year ended June 30, 2015, HFHSTW entered into an operating lease for an administrative office space. Lease expense related to the office space totaled \$6,000 for the year ended June 30, 2015.

During the year ended June 30, 2013, HFHSTW entered into an operating lease for a freightliner truck to be used in ReStore operations. Lease expense related to the freightliner totaled \$21,182 and \$16,648 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments are as follows:

<u>June 30,</u>	
2016	\$ 26,664
2017	26,664
2018	23,064
2019	<u>9,776</u>
Total	<u>\$ 86,168</u>

Note 13 - IMPAIRMENT LOSS

During the year ended June 30, 2009, HFHSTW purchased a parcel of land described as the South Half of Square 150, Town of Mandeville ("Square 150"). The original intent of the purchase was to build 28 home sites. Since the original purchase, zoning regulations have changed, and HFHSTW may now only build seven home sites on Square 150. In addition, during the year ended June 30, 2014, management believed that the fair market value of Square 150 had significantly declined. An independent appraisal of the land was completed during the year ended June 30, 2014, and an impairment loss in the amount of \$255,156 was recorded and reported on the Statement of Functional Expenses for the year ended June 30, 2014.

Note 14 - SUPPLEMENTAL CASH FLOW INFORMATION

	2015	2014
Cash paid for interest	\$ 126,567	\$ 164,812

Non-cash financing activities include the refinancing of debt for the years ended June 30, 2015 and 2014. Debt refinanced during 2015 totaled \$640,338. There was no related interest included in the new loan. Debt refinanced during 2014 totaled \$456,323 with related interest of \$1,892 was included in the new loan.

During the years ended June 30, 2015 and 2014, land held for future home sites acquired by donation was \$36,000 and \$40,000, respectively. Land held for investment (included in property and equipment) acquired by donation totaled \$115,764 for the year ended June 30, 2014.

Note 15 - SUBSEQUENT EVENTS

On July 17, 2015, the New Market Tax Credit (NMTC) financing through HFHI-SA Leverage I, LLC, was completed, and the QLICI note payable of \$3,757,086 was forgiven. The investment in HFHI-SA Leverage I, LLC was sold as part of the forgiveness transaction. HFHSTW recognized net cancellation of debt income in the amount of \$482,571.

On August 19, 2015, HFHSTW invested, along with four other Habitat for Humanity affiliates, in a joint venture, HFHI NMTC Sub-CDE I, LLC, to take advantage of additional NMTC financing. HFHSTW's initial investment in HFHI NMTC Sub-CDE I, LLC was \$852,005. HFHSTW secured a 15 year loan in the amount of \$1,495,639 payable to a community development entity. The loan proceeds will be used solely for the purpose of constructing and selling qualified housing properties to low income residents.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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 St. Tammany West,
Mandeville, Louisiana.

We have audited, in accordance with 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 St. Tammany West (the HFHSTW), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon, dated November 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the HFHSTW'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 HFHSTW's internal control. Accordingly, we do not express an opinion on the effectiveness of the HFHSTW'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 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 over financial reporting 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 a material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HFHSTW's financial statements are free of material misstatements, 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 HFHSTW's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering HFHSTW's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Bourgeois Bennett, L.L.C." in a cursive script.

Certified Public Accountants.

New Orleans, Louisiana,
November 19, 2015.

SCHEDULE OF FINDINGS AND RESPONSES

**Habitat for Humanity St. Tammany West
Mandeville, Louisiana**

For the year ended June 30, 2015

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are
not considered to be a material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

b) Federal Awards

HFHSTW did not expend more than \$500,000 in Federal awards during the year ended June 30, 2015, and therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended June 30, 2015 related to internal control over financial reporting.

Compliance and Other Matters

There were no findings noted during the audit for the year ended June 30, 2015 related to compliance and other matters.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Habitat for Humanity St. Tammany West Mandeville, Louisiana

For the year ended June 30, 2015

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No findings noted during the audit for the year ended June 30, 2014 related to internal control over financial reporting.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit of the financial statements for the year ended June 30, 2014.

Section II - Internal Control and Compliance Material to Federal Awards

HFHSTW did not expend Federal awards in excess of \$500,000 during the year ended June 30, 2014, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2014.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Habitat for Humanity St. Tammany West Mandeville, Louisiana

For the year ended June 30, 2015

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit of the financial statements for the year ended June 30, 2015.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2015.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the year ended June 30, 2015.

Section II - Internal Control and Compliance Material to Federal Awards

HFHSTW did not expend more than \$500,000 in Federal awards during the year ended June 30, 2015 and, therefore, was exempt from the audit requirements Under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2015.