

**HABITAT FOR HUMANITY  
ST. TAMMANY WEST**

Audits of Financial Statements

June 30, 2017 and 2016



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## **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 Louisiana not-for-profit corporation) (HFHSTW), which comprise the statement of financial position as of June 30, 2017, 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.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair 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.

**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, 2017, 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**

The financial statements of HFHSTW, as of and for the year ended June 30, 2016, were audited by other auditors, whose report dated December 6, 2016, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA  
October 19, 2017

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents		
Unrestricted	\$ 393,506	\$ 595,614
Restricted - Escrow Deposits	125,116	158,971
Reserved - Expense Reserve	53,744	64,492
Mortgage Notes Receivable, Current Portion, Net	443,803	454,513
Pledges Receivable, Current Portion, Net	49,795	86,457
Grants Receivable	7,000	32,500
Accounts Receivable	60,878	84,246
Inventory	32,730	15,389
Other Assets	17,227	15,220
Construction in Progress	506,183	334,768
	<u>1,689,982</u>	<u>1,842,170</u>
<b>Total Current Assets</b>	<b>1,689,982</b>	<b>1,842,170</b>
<b>Property and Equipment</b>		
Building and Improvements	1,639,722	1,639,722
Vehicles	153,379	153,379
Office Furniture and Equipment	104,857	104,857
	<u>1,897,958</u>	<u>1,897,958</u>
Less: Accumulated Depreciation	(802,867)	(745,911)
	<u>1,095,091</u>	<u>1,152,047</u>
Land	540,829	540,829
	<u>540,829</u>	<u>540,829</u>
<b>Total Property and Equipment, Net</b>	<b>1,635,920</b>	<b>1,692,876</b>
<b>Other Assets</b>		
Long-Term Portion of Mortgage Notes Receivable, Net of Unamortized Discounts	2,736,366	2,928,561
Investment in HFHI NMTC Sub-CDE I, LLC	1,021,941	1,021,941
Land Held for Future Home Sites	386,285	378,860
Security Deposits	1,532	1,532
Long-Term Portion of Pledges Receivable	110,649	31,902
Other	200,519	153,547
	<u>4,457,292</u>	<u>4,516,343</u>
<b>Total Other Assets</b>	<b>4,457,292</b>	<b>4,516,343</b>
<b>Total Assets</b>	<b>\$ 7,783,194</b>	<b>\$ 8,051,389</b>

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

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statements of Financial Position (Continued)**  
**June 30, 2017 and 2016**

	2017	2016
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 91,806	\$ 49,529
Accrued Payroll and Other Expenses	89,289	97,919
Current Maturities of Notes Payable	55,089	56,820
Deferred Revenue	53,744	64,492
Escrow Deposits	125,116	158,971
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>415,044</b>	<b>427,731</b>
<b>Long-Term Liabilities</b>		
Long-Term Portion of Notes Payable	617,107	668,894
QLICI Note Payable	1,495,639	1,495,639
Less: Loan Obligation Costs, Net	(140,191)	(153,945)
	<hr/>	<hr/>
<b>Total Long-Term Liabilities</b>	<b>1,972,555</b>	<b>2,010,588</b>
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<b>Total Liabilities</b>	<b>2,387,599</b>	<b>2,438,319</b>
<b>Net Assets</b>		
Unrestricted	5,235,151	5,494,711
Temporarily Restricted	160,444	118,359
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<b>Total Net Assets</b>	<b>5,395,595</b>	<b>5,613,070</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$ 7,783,194</b>	<b>\$ 8,051,389</b>
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The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains, and Support</b>			
Sales of Houses			
Sales Revenue	\$ 656,682	\$ -	\$ 656,682
Less: Mortgage Note Receivable Discount	(389,098)	-	(389,098)
Amortization of Mortgage Note			
Receivable Discount	193,790	-	193,790
ReStore Revenues	895,653	-	895,653
Grants	42,128	-	42,128
Contributions	131,232	-	131,232
Event Revenues			
Event Income	106,558	277,316	383,874
Event Expenses	(44,179)	-	(44,179)
HFHI-NMTC Sub CDE I, LLC			
Investment Income	10,203	-	10,203
Contributions In-Kind	72,716	-	72,716
Gain on Sale of Mortgages Receivable	324,246	-	324,246
Other Revenue	524,801	-	524,801
	<u>2,524,732</u>	<u>277,316</u>	<u>2,802,048</u>
<b>Net Assets Released from Restrictions</b>	<u>235,231</u>	<u>(235,231)</u>	<u>-</u>
<b>Total Revenues, Gains, and Support</b>	<u>2,759,963</u>	<u>42,085</u>	<u>2,802,048</u>
<b>Expenses</b>			
Program Services			
Housing	1,793,533	-	1,793,533
ReStore	770,901	-	770,901
Supporting Services			
Management and General	312,341	-	312,341
Fundraising	142,748	-	142,748
<b>Total Expenses</b>	<u>3,019,523</u>	<u>-</u>	<u>3,019,523</u>
<b>Change in Net Assets</b>	(259,560)	42,085	(217,475)
<b>Net Assets, Beginning of Year</b>	<u>5,494,711</u>	<u>118,359</u>	<u>5,613,070</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,235,151</u>	<u>\$ 160,444</u>	<u>\$ 5,395,595</u>

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

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains, and Support</b>			
Sales of Houses			
Sales Revenue	\$ 1,047,160	\$ -	\$ 1,047,160
Less: Mortgage Note Receivable Discount	(600,310)	-	(600,310)
Amortization of Mortgage Note			
Receivable Discount	226,363	-	226,363
ReStore Revenues	908,687	-	908,687
Grants	128,920	-	128,920
Contributions	195,521	-	195,521
Event Revenues			
Event Income	136,145	201,265	337,410
Event Expenses	(51,624)	-	(51,624)
HFHI-NMTC Sub CDE I, LLC			
Investment Income	8,843	-	8,843
Contributions In-Kind	68,836	-	68,836
Gain on Sale of Mortgages Receivable	565,507	-	565,507
Cancellation of Debt from HFHI-SA	482,571	-	482,571
Other Revenue	17,476	-	17,476
	<u>3,134,095</u>	<u>201,265</u>	<u>3,335,360</u>
<b>Net Assets Released from Restrictions</b>	<u>198,443</u>	<u>(198,443)</u>	<u>-</u>
<b>Total Revenues, Gains, and Support</b>	<u>3,332,538</u>	<u>2,822</u>	<u>3,335,360</u>
<b>Expenses</b>			
Program Services			
Housing	1,976,199	-	1,976,199
ReStore	690,328	-	690,328
Supporting Services			
Management and General	262,293	-	262,293
Fundraising	199,651	-	199,651
	<u>3,128,471</u>	<u>-</u>	<u>3,128,471</u>
<b>Change in Net Assets</b>	204,067	2,822	206,889
<b>Net Assets, Beginning of Year</b>	<u>5,290,644</u>	<u>115,537</u>	<u>5,406,181</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,494,711</u>	<u>\$ 118,359</u>	<u>\$ 5,613,070</u>

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



**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**

	<u>Program Services</u>		<b>Total Program Services</b>	<u>Supporting Services</u>		<b>Total Supporting Services</b>	<b>Total</b>
	<b>Housing</b>	<b>ReStore</b>		<b>Management and General</b>	<b>Fundraising</b>		
<b>Wages</b>	\$ 531,351	\$ 356,872	\$ 888,223	\$ 185,341	\$ 84,513	\$ 269,854	\$ 1,158,077
<b>Occupancy</b>							
Interest	21,412	6,837	28,249	9,597	410	10,007	38,256
Utilities	14,175	32,842	47,017	4,064	3,538	7,602	54,619
Insurance	27,209	21,646	48,855	4,870	3,788	8,658	57,513
Repairs and Maintenance	6,566	26,596	33,162	3,064	2,497	5,561	38,723
<b>Total Occupancy</b>	<b>69,362</b>	<b>87,921</b>	<b>157,283</b>	<b>21,595</b>	<b>10,233</b>	<b>31,828</b>	<b>189,111</b>
<b>Operating</b>							
Direct Construction Costs - NMTC	721,320	-	721,320	-	-	-	721,320
Direct Construction Costs - Other	163,297	-	163,297	-	-	-	163,297
Cost of Goods Sold	-	39,384	39,384	-	-	-	39,384
Supplies and General	5,563	10,180	15,743	3,426	1,060	4,486	20,229
Vehicle Fuel, Insurance, and Maintenance	3,073	4,913	7,986	614	195	809	8,795
Other Operating Costs	95,731	96,224	191,955	32,274	26,071	58,345	250,300
<b>Total Operating</b>	<b>988,984</b>	<b>150,701</b>	<b>1,139,685</b>	<b>36,314</b>	<b>27,326</b>	<b>63,640</b>	<b>1,203,325</b>
<b>Administrative</b>							
Payroll Taxes and Benefits	113,055	77,358	190,413	24,784	19,892	44,676	235,089
Professional Fees	84,751	49,975	134,726	42,239	-	42,239	176,965
<b>Total Administrative</b>	<b>197,806</b>	<b>127,333</b>	<b>325,139</b>	<b>67,023</b>	<b>19,892</b>	<b>86,915</b>	<b>412,054</b>
<b>Depreciation</b>	<b>6,030</b>	<b>48,074</b>	<b>54,104</b>	<b>2,068</b>	<b>784</b>	<b>2,852</b>	<b>56,956</b>
<b>Total Functional Expenses</b>	<b>\$ 1,793,533</b>	<b>\$ 770,901</b>	<b>\$ 2,564,434</b>	<b>\$ 312,341</b>	<b>\$ 142,748</b>	<b>\$ 455,089</b>	<b>\$ 3,019,523</b>

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

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2016**

	Program Services		Total Program Services	Supporting Services		Total Supporting Services	Total
	Housing	ReStore		Management and General	Fundraising		
<b>Wages</b>	\$ 537,532	\$ 315,517	\$ 853,049	\$ 155,793	\$ 124,749	\$ 280,542	\$ 1,133,591
<b>Occupancy</b>							
Interest	31,082	7,170	38,252	9,990	430	10,420	48,672
Utilities	16,405	31,344	47,749	3,805	3,736	7,541	55,290
Insurance	25,531	19,847	45,378	3,183	5,357	8,540	53,918
Repairs and Maintenance	10,502	17,687	28,189	2,857	1,220	4,077	32,266
<b>Total Occupancy</b>	<b>83,520</b>	<b>76,048</b>	<b>159,568</b>	<b>19,835</b>	<b>10,743</b>	<b>30,578</b>	<b>190,146</b>
<b>Operating</b>							
Direct Construction Costs - NMTC	662,212	-	662,212	-	-	-	662,212
Direct Construction Costs - Other	417,827	-	417,827	-	-	-	417,827
Cost Of Goods Sold	-	41,744	41,744	-	-	-	41,744
Supplies and General	7,730	9,347	17,077	3,307	1,462	4,769	21,846
Vehicle Fuel, Insurance, and Maintenance	4,070	4,982	9,052	256	28	284	9,336
Other Operating Costs	72,869	80,022	152,891	27,706	32,171	59,877	212,768
<b>Total Operating</b>	<b>1,164,708</b>	<b>136,095</b>	<b>1,300,803</b>	<b>31,269</b>	<b>33,661</b>	<b>64,930</b>	<b>1,365,733</b>
<b>Administrative</b>							
Payroll Taxes and Benefits	115,033	64,784	179,817	18,636	29,714	48,350	228,167
Professional Fees	69,622	49,810	119,432	34,692	-	34,692	154,124
<b>Total Administrative</b>	<b>184,655</b>	<b>114,594</b>	<b>299,249</b>	<b>53,328</b>	<b>29,714</b>	<b>83,042</b>	<b>382,291</b>
<b>Depreciation</b>	<b>5,784</b>	<b>48,074</b>	<b>53,858</b>	<b>2,068</b>	<b>784</b>	<b>2,852</b>	<b>56,710</b>
<b>Total Functional Expenses</b>	<b>\$ 1,976,199</b>	<b>\$ 690,328</b>	<b>\$ 2,666,527</b>	<b>\$ 262,293</b>	<b>\$ 199,651</b>	<b>\$ 461,944</b>	<b>\$ 3,128,471</b>

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

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (217,475)	\$ 206,889
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	56,956	56,710
Loss on Disposal of Assets	54,763	49,476
Loss on Sale of Land for Future Home Sites	9,505	31,903
Income from HFHI NMTC Sub-CDE I, LLC	(10,203)	(8,843)
Amortization of Loan Obligation Costs	13,754	11,462
Forgiveness of Debt Revenue	-	(482,571)
(Increase) Decrease in Assets		
Mortgage Notes Receivable	202,905	307,816
Pledges Receivable	(42,085)	(2,822)
Grants Receivable	25,500	67,228
Accounts Receivable	23,368	(36,834)
Inventory	(17,341)	15,464
Other Current Assets	(2,007)	(1,034)
Construction in Progress	(226,178)	4,613
Other Assets	(46,972)	(153,547)
Increase (Decrease) in Liabilities		
Accounts Payable	42,277	(14,005)
Accrued Payroll and Other Expenses	(8,630)	-
Deferred Revenue	(10,748)	64,492
Escrow Deposits	(33,855)	24,411
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(186,466)</b>	<b>140,808</b>
<b>Cash Flows from Investing Activities</b>		
Investment in HFHI NMTC Sub-CDE I, LLC	-	(1,020,239)
Distribution from HFHI NMTC Sub-CDE I, LLC	10,203	7,141
Purchases of Property and Equipment	-	(8,668)
Proceeds from Sale of Assets	-	67,539
Proceeds from Sale of Land Held for Future Home Sites	179,488	126,532
Purchases of Land Held for Future Home Sites	(196,418)	(80,720)
<b>Net Cash Used in Investing Activities</b>	<b>(6,727)</b>	<b>(908,415)</b>

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

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended June 30, 2017 and 2016**

	2017	2016
<b>Cash Flows from Financing Activities</b>		
Proceeds from Lines of Credit	400,000	1,350,000
Proceeds from Notes Payable	3,376	25,057
Proceeds from QLICI Note Payable	-	1,495,639
Repayments of Lines of Credit	(400,000)	(1,650,000)
Principal Payments on Notes Payable	(56,894)	(50,919)
Loan Obligation Costs	-	(165,407)
	<hr/>	<hr/>
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(53,518)</b>	1,004,370
	<hr/>	<hr/>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(246,711)</b>	236,763
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>819,077</b>	582,314
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<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 572,366</b>	<b>\$ 819,077</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid During the Year for Interest	<b>\$ 38,256</b>	<b>\$ 48,672</b>
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The accompanying notes are an integral part of these financial statements.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies

#### **Organization**

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 300-400 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, grants, and various other financing vehicles to fund the construction projects.

Habitat's Fund for Humanity consists of non-interest bearing mortgage notes receivable payments from existing homeowners (see Note 3). 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 the public. The ReStore is a social enterprise which connects the mission of the affiliate with the market-driven approach of a business. The net cash flow from ReStore operations is used to fund a portion of the acquisition of the building sites and construction of homes referred to in the previous paragraphs.

#### **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.

#### **Basis of Presentation**

HFHSTW follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). HFHSTW is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Basis of Presentation (Continued)**

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.

*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, 2017 and 2016, HFHSTW had no permanently restricted net assets.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates. Estimates are used primarily for depreciation and amortization, the allowance for doubtful accounts, and discount on mortgage notes receivable.

#### **Cash and Cash Equivalents**

For the purposes of the statements 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.

#### **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. Reserved cash for escrow deposits as of June 30, 2017 and 2016, was \$125,116 and \$158,971, respectively.

During the year ended June 30, 2016, HFHSTW participated in a New Markets Tax Credit (NMTC) transaction. Upon commencement of the transaction, HFHSTW established an expense reserve fund to pay Habitat for Humanity International for servicing, compliance, and consulting fees related to the NMTC transaction. The balance of the expense reserve as of June 30, 2017, and 2016 was \$53,744 and \$64,492, respectively.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### 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 mortgage discount interest rate is set annually by Habitat for Humanity International. The rate is calculated by taking the average rate for twelve months, as published by the Internal Revenue Service (IRS) under the Index of Applicable Federal Rates (AFR) Rulings for Low-Income Housing Tax Credits. Mortgage notes receivable are considered past due if payments are more than 30 days late. Management believes that the values of such collateral are in excess of the mortgage notes receivable as of June 30, 2017 and 2016 and therefore no allowance for losses has been provided.

#### 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 pledges were made are substantially met. Pledges receivable are recognized as assets, net of an allowance for uncollectible amounts. HFHSTW provides for estimated uncollectible pledges receivable based on prior years' experience and management's analysis of specific pledges made. As of June 30, 2017 and 2016, the allowance for uncollectible amounts totaled \$13,942 and \$10,853, respectively.

#### Inventory

Inventory represents purchased goods to be sold in the ReStore operations, as well as purchased and in-kind building materials 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, 2017 and 2016, inventory totaled \$32,730 and \$15,389, respectively.

#### Construction in Progress

Construction in progress represents all direct material, labor, land, and infrastructure costs incurred to construct a home. Revenue is recognized under the full accrual method when a sale is consummated and the homeowner is obligated under a mortgage. As of June 30, 2017 and 2016, construction in progress included:

	2017	2016
New Homes under Construction	\$ 369,684	\$ 167,770
Repossessed Homes	136,499	166,998
<b>Total Construction in Progress</b>	<b>\$ 506,183</b>	<b>\$ 334,768</b>

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Property and Equipment**

Property and equipment consists of land, buildings and improvements, office furniture and equipment, and vehicles, 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 30 years. Other depreciable property and equipment are 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, 2017 and 2016, depreciation expense totaled \$56,956 and \$56,710, respectively.

#### **Land Held for Future Home Sites**

Land held for future home sites consists of purchased lots that will be used in future development of houses to be sold. The land is carried at cost and reclassified to construction in progress once construction has begun.

#### **Loan Obligation Costs**

Certain costs related to the New Markets Tax Credit financing (see Note 5) have been capitalized and are being amortized over the estimated life of the related notes payable. Financing and loan acquisition costs totaled \$165,407, as of June 30, 2017 and 2016. Accumulated amortization totaled \$25,216, as of June 30, 2017, and \$11,462, as of June 30, 2016.

#### **Compensated Absences**

Accumulated paid time off is payable upon termination of employment and is accrued. HFHSTW's obligation as of June 30, 2017 and 2016, totaled \$55,798 and \$58,160, respectively, which is included in accrued payroll and other expenses on the statements of financial position.

#### **ReStore Revenues**

HFHSTW has a resale store that sells primarily donated goods. The sales revenue is unrestricted and is recognized at the time the goods are sold.

#### **Contributions**

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.



# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Contributions (Continued)

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.

#### 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 \$38,269 and \$36,844, for the years ended June 30, 2017 and 2016, respectively.

Donations of materials, supplies, and other totaled \$34,447 and \$59,028, for the years ended June 30, 2017 and 2016, respectively.

#### Other Revenue

Other revenue consists of income from various sources that is unrelated to the regular operations of HFHSTW. For the year ended June 30, 2017, other revenue primarily consisted of cash received in the amount of \$365,878 related to a claim settlement. In 2017, HFHSTW also hosted a global village volunteers trip. As a result, it received volunteer income that amounted to \$107,650, for the year ended June 30, 2017.

#### Income Taxes

HFHSTW is a nonprofit entity 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 a private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of Louisiana Revised Statute (LRS) 47.121(5).

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. HFHSTW believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in interest expense.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Sales Tax

The State of Louisiana and St. Tammany Parish impose a combined sales tax of 10.5% 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, 2017 and 2016, HFHSTW remitted state sales taxes totaling \$88,502 and \$78,228, respectively. Sales tax collected and paid is not reported as revenues and expenses on the statement of activities and changes in net assets.

#### Advertising Expense

HFHSTW uses advertising to promote ReStore operations and fundraising activities. The costs of advertising are expensed as incurred. For the years ended June 30, 2017 and 2016, advertising costs totaled \$24,561 and \$27,609, respectively.

#### 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.

#### Adoption of ASU 2015-03

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 amends current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as an asset in the balance sheets. HFHSTW adopted the provisions of ASU 2015-03 upon issuance and prior period amounts have been reclassified to conform to the current period presentation. As of June 30, 2016 and 2017, \$165,407 of debt issuance costs were reclassified in the statements of financial position from loan obligation costs to long-term debt. The adoption of ASU 2015-03 did not impact HFHSTW's financial position, results of operations, or cash flows. As of June 30, 2017 and 2016, loan obligation costs were \$140,191 and \$153,945, respectively.

#### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for HFHSTW beginning in the year ended June 30, 2019, though early adopted is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. HFHSTW is currently evaluating the impact of adopting the new revenue standard on its financial statements.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Recent Accounting Pronouncements (Continued)

In January 2016, the FASB has issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management is currently evaluating the impact ASU 2016-02 will have on its financial statements.

In August 2016, The FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires certain improvements that address many of the identified issues about the current financial reporting for not-for-profit entities. An additional phase of the project is expected to address more issues surrounding whether and how to define the term operations and align measures of financial performance as presented in the statement of activities with measures of operations in the statement of cash flow. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the impact ASU 2016-14 will have on its financial statements.

#### Reclassification

Certain items in the financial statements for 2016 have been reclassified to conform to the current-year presentation. Such reclassification had no effect on the change in net assets.

### Note 2. Concentration of Credit Risk

HFHSTW builds and rehabilitates homes in the St. Tammany West area. As a result, all of the mortgage notes receivable 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, 2017, HFHSTW had no cash deposits in excess of the insured limits.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 3. Mortgage Notes Receivable

HFHSTW sells its completed homes to individual and family partners in exchange for a mortgage note (see Note 9) secured by the residence with typical repayment terms over 15 to 35 years and bearing 0% interest. As of June 30, 2017, HFHSTW held 164 non-interest bearing loans, 15 of which (\$814,255 gross carrying value) were pledged to secure certain notes payable. As of June 30, 2016, HFHSTW held 166 non-interest bearing loans, 16 of which (\$861,227 gross carrying value) were pledged to secure certain notes payable (see Note 9).

During the year ended June 30, 2017, HFHSTW sold 6 of its loans (\$658,713 gross carrying value) to a financial institution for 85% of face value. During the year ended June 30, 2016, HFHSTW sold 22 of its loans (\$1,252,302 gross carrying value) 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 repurchase or replace any delinquent loans if those loans are called by the financial institution. HFHSTW has retained servicing of these loans, which is performed by a third-party financial institution. During the year ended June 30, 2017, HFHSTW repurchased and replaced two delinquent loans, with a gross carrying value of \$186,934. During the year ended June 30, 2016, HFHSTW repurchased and replaced four delinquent loans, with a gross carrying value of \$273,849.

As of June 30, 2017 and 2016, a summary of the mortgage notes receivable was:

	2017	2016
Mortgage Notes Receivable	\$ 7,017,736	\$ 7,420,477
Unamortized Discount	<u>(3,837,567)</u>	<u>(4,037,403)</u>
<b>Net</b>	<b><u>\$ 3,180,169</u></b>	<b><u>\$ 3,383,074</u></b>
Current	\$ 443,803	\$ 454,513
Long-Term	<u>2,736,366</u>	<u>2,928,561</u>
<b>Total</b>	<b><u>\$ 3,180,169</u></b>	<b><u>\$ 3,383,074</u></b>

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 3. Mortgage Notes Receivable (Continued)

As of June 30, 2017, contractual maturities of mortgage notes receivable were as follows:

Years Ending June 30,	Amount
2018	\$ 443,803
2019	438,136
2020	433,707
2021	427,625
2022	421,007
Thereafter	<u>4,853,458</u>
<b>Total</b>	<u><u>\$ 7,017,736</u></u>

#### Note 4. 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. The long-term pledges were discounted using a rate of 5%. Management estimated \$11,173 and \$10,853 of pledges to be uncollectible as of June 30, 2017 and 2016, respectively.

As of June 30, 2017 and 2016, a summary of the CPB pledges receivable is as follows:

	2017	2016
Pledges Receivable, Beginning of Year	\$ 134,734	\$ 131,746
New CPB Pledges Made During the Year	277,316	201,265
Less:		
Cash Received	(219,933)	(183,177)
Write-Offs	(11,173)	(15,100)
	<u>180,944</u>	<u>134,734</u>
Unamortized Discount	(6,558)	(5,522)
Allowance for Doubtful Promises	(13,942)	(10,853)
	<u><u>\$ 160,444</u></u>	<u><u>\$ 118,359</u></u>
<b>Pledges Receivable, Net</b>		
Current Portion	\$ 49,795	\$ 80,934
Long-Term	110,649	37,425
	<u><u>\$ 160,444</u></u>	<u><u>\$ 118,359</u></u>
<b>Total</b>		

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 4. Pledges Receivable (Continued)

Future maturities of pledges receivable are as follows:

Years Ending June 30,	Amount
2018	\$ 49,796
2019	66,528
2020	41,320
2021	11,900
2022	6,400
Thereafter	<u>5,000</u>
<b>Total</b>	<u><u>\$ 180,944</u></u>

#### Note 5. 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 Markets 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 Markets Tax Credits to be applied against their federal tax liability. HFHSTW's total investment in the LLC as of June 30, 2015, totaled \$3,274,515. 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 used solely for the purpose of constructing and selling qualified housing properties to low-income residents. The loan accrued interest only for years one through seven at the rate of 0.759% per annum. On July 17, 2015, the LLC exercised its put option. Under the terms of the put option agreement, the LLC became owner of the community development entity (Sub-CDE) and its assets. This allowed HFHSTW to extinguish its outstanding debt owed to Sub-CDE. During the year ended June 30, 2016, HFHSTW recognized net cancellation of debt income in the amount of \$482,571.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### **Note 5. New Markets Tax Credit (Continued)**

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 investment in HFHI NMTC Sub-CDE I, LLC as of June 30, 2017 and 2016, was \$1,021,941. Interest income earned on the investment in HFHI NMTC Sub-CDE I, LLC totaled \$10,203, for the year ended June 30, 2017, and \$8,843, for the year ended June 30, 2016. HFHSTW secured a 30-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. The loan accrues interest only for years one through seven at the rate of 0.682% per annum. Beginning in year 8 through year 30, the principal balance of the loan is reduced by a 21-year amortization at the same rate of 0.682%. The loan has a put option that will enable the leverage lender to become owner of HFHI NMTC Sub-CDE I, LLC and its assets, including the loan. Interest expense on this note totaled \$8,503 and \$8,843, for the years ended June 30, 2017 and 2016, respectively.

Included in the statements of financial position as of June 30, 2017 and 2016, is \$140,191 and \$153,945, respectively, of unamortized closing costs related to the NMTC. These costs are being amortized on a straight-line basis from seven to thirty years.

#### **Note 6. Line 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 has been renewed annually and has a current maturity date of July 12, 2017. Borrowings under the line are collateralized by certain assets of HFHSTW. The maximum borrowing limit is \$1,000,000. There was no outstanding balance on the line of credit as of June 30, 2017 or 2016. For the years ended June 30, 2017 and 2016, interest expense on the line of credit totaled \$2,406 and \$10,201, respectively. Subsequent to year end, HFHSTW renewed this line of credit with no changes to the terms existing at year end.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 7. Notes Payable

As of June 30, 2017 and 2016, HFHSTW had the following notes payable:

	<b>2017</b>	2016
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. The note matures in February 2023.	<b>\$ 587,453</b>	\$ 612,289
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 July 2019. The note does not bear interest and is unsecured.	<b>16,672</b>	26,836
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 January 2018. The note does not bear interest and is unsecured.	<b>3,555</b>	10,575
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 \$562 due January 2021. The note does not bear interest and is unsecured.	<b>18,966</b>	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.	<b>16,239</b>	22,527
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.	<b>2,698</b>	8,050



# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

### Note 7. Notes Payable (Continued)

	2017	2016
Note Payable to Habitat for Humanity International. The note is due in 47 monthly installments of principal of \$59 beginning January 2018, with the final payment of \$90 due January 2022. The note does not bear interest and is unsecured.	2,863	2,863
Note Payable to Habitat for Humanity International. The note is due in 47 monthly installments of principal of \$494 beginning January 2018, with the final payment of \$532 due January 2022. The note does not bear interest and is unsecured.	23,750	20,374
	<u>672,196</u>	<u>725,714</u>
<b>Less Current Portion</b>	<u>(55,089)</u>	<u>(56,820)</u>
<b>Long-Term Portion</b>	<u>\$ 617,107</u>	<u>\$ 668,894</u>

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

Years Ending June 30,	Amount
2018	\$ 55,089
2019	49,705
2020	44,650
2021	36,342
2022	37,726
Thereafter	<u>448,684</u>
<b>Total</b>	<u>\$ 672,196</u>

Total interest expense for the above notes payable totaled \$27,347 and \$29,628, for the years ended June 30, 2017 and 2016, respectively.

### Note 8. Temporarily Restricted Net Assets

As of June 30, 2017 and 2016, HFHSTW temporarily restricted net assets of \$160,444 and \$118,359, respectively, are time restricted by donors.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 9. Sales of Houses

HFHSTW charges no interest on the mortgage notes 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, 2017 and 2016, the following amounts are included in the statements of activities and changes in net assets:

	2017	2016
<b>Sales of Houses</b>		
Sales Income	\$ 656,682	\$ 1,047,160
Mortgage Discount Expense	(389,098)	(600,310)
<b>Sales of Houses, Net of Discount Expense</b>	<u>\$ 267,584</u>	<u>\$ 446,850</u>
<b>Amortization Income on Mortgage Notes Receivable Discount</b>	<u>\$ 193,790</u>	<u>\$ 226,363</u>

#### Note 10. 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 \$16,510 and \$15,120, for the years ended June 30, 2017 and 2016, respectively.

#### Note 11. 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 \$13,200 and \$12,000, for the years ended June 30, 2017 and 2016, respectively.

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 \$17,934 and \$16,762, for the years ended June 30, 2017 and 2016, respectively.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 11. Operating Lease (Continued)

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2018	\$ 23,064
2019	<u>9,776</u>
<b>Total</b>	<b><u>\$ 32,840</u></b>

#### Note 12. Related Party Transaction

HFHSTW annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2017 and 2016, HFHSTW contributed \$8,300 and \$6,530, respectively, to Habitat for Humanity International.

#### Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 19, 2017, in accordance with FASB ASC 855, and determined that the following event requires disclosure:

On September 6, 2017, HFHSTW renewed its line of credit at a financial institution. There were no changes to the terms of the line of credit, as described in Note 6.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.