

**HABITAT FOR HUMANITY  
ST. TAMMANY WEST**

Audits of Financial Statements

June 30, 2019 and 2018



## Contents

---

|                                     |       |
|-------------------------------------|-------|
| <b>Independent Auditor's Report</b> | 1 - 2 |
|-------------------------------------|-------|

---

### **Basic Financial Statements**

|  |         |
|--|---------|
| Statements of Financial Position                   | 3 - 4   |
| Statements of Activities and Changes in Net Assets | 5 - 6   |
| Statements of Functional Expenses                  | 7 - 8   |
| Statements of Cash Flows                           | 9 - 10  |
| Notes to Financial Statements                      | 11 - 24 |

## **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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 1 to the financial statements, HFHSTW adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter

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

A Professional Accounting Corporation

Metairie, LA  
October 21, 2019

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |
| <b>Current Assets</b>   |                     |                     |
| Cash and Cash Equivalents   | \$ 363,437          | \$ 525,713          |
| Restricted Cash - Escrow Deposits   | 142,822             | 117,579             |
| Restricted Cash - Expense Reserve   | 32,246              | 42,995              |
| Restricted Cash - Microfinance Fund   | 94,880              | 50,000              |
| Mortgage Notes Receivable, Current Portion, Net                                 | 395,767             | 414,355             |
| Pledges Receivable, Current Portion, Net  | 124,310             | 44,398              |
| Accounts Receivable   | 130,555             | 133,995             |
| Notes Receivable - Microfinance Fund  | 10,255              | -                   |
| Inventory   | 18,628              | 20,891              |
| Other Assets  | 20,945              | 18,270              |
| Construction in Progress  | 311,722             | 182,856             |
| <b>Total Current Assets</b>   | <b>1,645,567</b>    | <b>1,551,052</b>    |
| <b>Property and Equipment</b>   |                     |                     |
| Building and Improvements   | 1,675,008           | 1,675,008           |
| Vehicles  | 153,379             | 153,379             |
| Office Furniture and Equipment  | 111,857             | 111,857             |
|   | <b>1,940,244</b>    | <b>1,940,244</b>    |
| Less: Accumulated Depreciation  | <b>(927,392)</b>    | <b>(862,233)</b>    |
|   | <b>1,012,852</b>    | <b>1,078,011</b>    |
| Land  | 540,829             | 540,829             |
| <b>Total Property and Equipment, Net</b>  | <b>1,553,681</b>    | <b>1,618,840</b>    |
| <b>Other Assets</b>   |                     |                     |
| Long-Term Portion of Mortgage Notes Receivable,<br>Net of Unamortized Discounts | 2,144,105           | 2,451,856           |
| Investment in HFHI NMTC Sub-CDE I, LLC  | 1,021,941           | 1,021,941           |
| Land Held for Future Home Sites   | 615,005             | 524,546             |
| Security Deposits   | 2,782               | 1,532               |
| Long-Term Portion of Pledges Receivable   | 49,313              | 129,740             |
| Other   | 320,152             | 320,152             |
| <b>Total Other Assets</b>   | <b>4,153,298</b>    | <b>4,449,767</b>    |
| <b>Total Assets</b>   | <b>\$ 7,352,546</b> | <b>\$ 7,619,659</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, 2019 and 2018**

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| <b>Liabilities and Net Assets</b>       |                     |                     |
| <b>Current Liabilities</b>              |                     |                     |
| Accounts Payable                        | \$ 84,115           | \$ 72,451           |
| Accrued Payroll and Other Expenses      | 101,243             | 88,026              |
| Line of Credit Payable                  | 250,000             | -                   |
| Current Maturities of Notes Payable     | 44,650              | 53,023              |
| Deferred Revenue                        | 82,246              | 92,995              |
| Escrow Deposits                         | 142,822             | 117,579             |
|   | <hr/>               | <hr/>               |
| <b>Total Current Liabilities</b>        | <b>705,076</b>      | <b>424,074</b>      |
| <b>Long-Term Liabilities</b>            |                     |                     |
| Long-Term Portion of Notes Payable      | 516,123             | 560,770             |
| QLICI Note Payable                      | 1,495,639           | 1,495,639           |
| Less: Loan Obligation Costs, Net        | (112,683)           | (126,437)           |
|   | <hr/>               | <hr/>               |
| <b>Total Long-Term Liabilities</b>      | <b>1,899,079</b>    | <b>1,929,972</b>    |
|   | <hr/>               | <hr/>               |
| <b>Total Liabilities</b>                | <b>2,604,155</b>    | <b>2,354,046</b>    |
| <b>Net Assets</b>                       |                     |                     |
| Without Donor Restrictions              | 4,574,768           | 5,091,475           |
| With Donor Restrictions                 | 173,623             | 174,138             |
|   | <hr/>               | <hr/>               |
| <b>Total Net Assets</b>                 | <b>4,748,391</b>    | <b>5,265,613</b>    |
|   | <hr/>               | <hr/>               |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 7,352,546</b> | <b>\$ 7,619,659</b> |

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, 2019**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|--|-------------------------------|----------------------------|---------------------|
| <b>Revenues, Gains, and Support</b>          |                               |                            |                     |
| Sales of Houses                              |                               |                            |                     |
| Sales Revenue                                | \$ 1,087,218                  | \$ -                       | \$ 1,087,218        |
| Less: Mortgage Note Receivable Discount      | (643,658)                     | -                          | (643,658)           |
| Amortization of Mortgage Note                |                               |                            |                     |
| Receivable Discount                          | 243,770                       | -                          | 243,770             |
| ReStore Revenues                             | 871,972                       | -                          | 871,972             |
| Grants                                       | 34,375                        | -                          | 34,375              |
| Contributions                                | 192,753                       | -                          | 192,753             |
| Event Revenues                               |                               |                            |                     |
| Event Income                                 | 163,032                       | 184,085                    | 347,117             |
| Event Expenses                               | (47,369)                      | -                          | (47,369)            |
| Volunteer Income                             | 32,435                        | -                          | 32,435              |
| HFHI NMTC Sub CDE I, LLC                     |                               |                            |                     |
| Investment Income                            | 10,203                        | -                          | 10,203              |
| Contributions In-Kind                        | 83,684                        | -                          | 83,684              |
| Gain on Sale of Mortgages Receivable         | 627,248                       | -                          | 627,248             |
| (Loss) on Sale of Assets                     | (54,728)                      | -                          | (54,728)            |
| Other Revenue                                | 199,653                       | -                          | 199,653             |
|  | <u>2,800,588</u>              | <u>184,085</u>             | <u>2,984,673</u>    |
| <b>Net Assets Released from Restrictions</b> | <u>184,600</u>                | <u>(184,600)</u>           | <u>-</u>            |
| <b>Total Revenues, Gains, and Support</b>    | <u>2,985,188</u>              | <u>(515)</u>               | <u>2,984,673</u>    |
| <b>Expenses</b>                              |                               |                            |                     |
| Program Services                             |                               |                            |                     |
| Housing                                      | 2,195,942                     | -                          | 2,195,942           |
| ReStore                                      | 740,039                       | -                          | 740,039             |
| Supporting Services                          |                               |                            |                     |
| Management and General                       | 316,018                       | -                          | 316,018             |
| Fundraising                                  | 249,896                       | -                          | 249,896             |
| <b>Total Expenses</b>                        | <u>3,501,895</u>              | <u>-</u>                   | <u>3,501,895</u>    |
| <b>Change in Net Assets</b>                  | (516,707)                     | (515)                      | (517,222)           |
| <b>Net Assets, Beginning of Year</b>         | <u>5,091,475</u>              | <u>174,138</u>             | <u>5,265,613</u>    |
| <b>Net Assets, End of Year</b>               | <u>\$ 4,574,768</u>           | <u>\$ 173,623</u>          | <u>\$ 4,748,391</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, 2018**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|--|-------------------------------|----------------------------|---------------------|
| <b>Revenues, Gains, and Support</b>          |                               |                            |                     |
| Sales of Houses                              |                               |                            |                     |
| Sales Revenue                                | \$ 1,107,203                  | \$ -                       | \$ 1,107,203        |
| Less: Mortgage Note Receivable Discount      | (640,822)                     | -                          | (640,822)           |
| Amortization of Mortgage Note                |                               |                            |                     |
| Receivable Discount                          | 164,581                       | -                          | 164,581             |
| ReStore Revenues                             | 825,338                       | -                          | 825,338             |
| Grants                                       | 21,385                        | -                          | 21,385              |
| Contributions                                | 436,847                       | -                          | 436,847             |
| Event Revenues                               |                               |                            |                     |
| Event Income                                 | 118,535                       | 213,655                    | 332,190             |
| Event Expenses                               | (50,678)                      | -                          | (50,678)            |
| Volunteer Income                             | 74,040                        | -                          | 74,040              |
| HFHI NMTC Sub CDE I, LLC                     |                               |                            |                     |
| Investment Income                            | 10,203                        | -                          | 10,203              |
| Contributions In-Kind                        | 119,731                       | -                          | 119,731             |
| Gain on Sale of Mortgages Receivable         | 807,898                       | -                          | 807,898             |
| Gain on Sale of Assets                       | 326                           | -                          | 326                 |
| Other Revenue                                | 109,183                       | -                          | 109,183             |
|  | <u>3,103,770</u>              | <u>213,655</u>             | <u>3,317,425</u>    |
| <b>Net Assets Released from Restrictions</b> | 199,961                       | (199,961)                  | -                   |
|  | <u>3,303,731</u>              | <u>13,694</u>              | <u>3,317,425</u>    |
| <b>Expenses</b>                              |                               |                            |                     |
| Program Services                             |                               |                            |                     |
| Housing                                      | 2,094,324                     | -                          | 2,094,324           |
| ReStore                                      | 843,187                       | -                          | 843,187             |
| Supporting Services                          |                               |                            |                     |
| Management and General                       | 302,905                       | -                          | 302,905             |
| Fundraising                                  | 206,991                       | -                          | 206,991             |
|  | <u>3,447,407</u>              | <u>-</u>                   | <u>3,447,407</u>    |
| <b>Change in Net Assets</b>                  | (143,676)                     | 13,694                     | (129,982)           |
| <b>Net Assets, Beginning of Year</b>         | <u>5,235,151</u>              | <u>160,444</u>             | <u>5,395,595</u>    |
| <b>Net Assets, End of Year</b>               | <u>\$ 5,091,475</u>           | <u>\$ 174,138</u>          | <u>\$ 5,265,613</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, 2019**

|   | <u>Program Services</u> |                   | <b>Total<br/>Program<br/>Services</b> | <u>Supporting Services</u>        |                    | <b>Total<br/>Supporting<br/>Services</b> | <b>Total</b>        |
|---|-------------------------|-------------------|---------------------------------------|-----------------------------------|--------------------|--|---------------------|
|   | <b>Housing</b>          | <b>ReStore</b>    |                                       | <b>Management<br/>and General</b> | <b>Fundraising</b> |  |                     |
| <b>Wages</b>                                | \$ 564,059              | \$ 348,781        | \$ 912,840                            | \$ 215,862                        | \$ 176,943         | \$ 392,805                               | \$ 1,305,645        |
| <b>Occupancy</b>                            |                         |                   |                                       |                                   |                    |  |                     |
| Interest                                    | 42,585                  | 6,266             | 48,851                                | 1,002                             | 376                | 1,378                                    | 50,229              |
| Utilities                                   | 14,156                  | 26,887            | 41,043                                | 3,904                             | 3,709              | 7,613                                    | 48,656              |
| Insurance                                   | 28,511                  | 23,942            | 52,453                                | 5,540                             | 4,516              | 10,056                                   | 62,509              |
| Repairs and Maintenance                     | 8,265                   | 22,621            | 30,886                                | 2,488                             | 1,101              | 3,589                                    | 34,475              |
| <b>Total Occupancy</b>                      | <b>93,517</b>           | <b>79,716</b>     | <b>173,233</b>                        | <b>12,934</b>                     | <b>9,702</b>       | <b>22,636</b>                            | <b>195,869</b>      |
| <b>Operating</b>                            |                         |                   |                                       |                                   |                    |  |                     |
| Direct Construction Costs - NMTC            | 268,201                 | -                 | 268,201                               | -                                 | -                  | -  | 268,201             |
| Direct Construction Costs - Other           | 970,774                 | -                 | 970,774                               | -                                 | -                  | -  | 970,774             |
| Cost of Goods Sold                          | -                       | 27,079            | 27,079                                | -                                 | -                  | -  | 27,079              |
| Supplies and General                        | 4,000                   | 10,547            | 14,547                                | 1,599                             | 426                | 2,025                                    | 16,572              |
| Vehicle Fuel, Insurance, and<br>Maintenance | 3,690                   | 7,435             | 11,125                                | 610                               | 620                | 1,230                                    | 12,355              |
| Other Operating Costs                       | 95,983                  | 63,404            | 159,387                               | 29,697                            | 22,804             | 52,501                                   | 211,888             |
| <b>Total Operating</b>                      | <b>1,342,648</b>        | <b>108,465</b>    | <b>1,451,113</b>                      | <b>31,906</b>                     | <b>23,850</b>      | <b>55,756</b>                            | <b>1,506,869</b>    |
| <b>Administrative</b>                       |                         |                   |                                       |                                   |                    |  |                     |
| Payroll Taxes and Benefits                  | 126,483                 | 73,099            | 199,582                               | 31,904                            | 37,517             | 69,421                                   | 269,003             |
| Professional Fees                           | 61,170                  | 75,236            | 136,406                               | 21,844                            | 1,100              | 22,944                                   | 159,350             |
| <b>Total Administrative</b>                 | <b>187,653</b>          | <b>148,335</b>    | <b>335,988</b>                        | <b>53,748</b>                     | <b>38,617</b>      | <b>92,365</b>                            | <b>428,353</b>      |
| <b>Depreciation</b>                         | <b>8,065</b>            | <b>54,742</b>     | <b>62,807</b>                         | <b>1,568</b>                      | <b>784</b>         | <b>2,352</b>                             | <b>65,159</b>       |
| <b>Total Functional Expenses</b>            | <b>\$ 2,195,942</b>     | <b>\$ 740,039</b> | <b>\$ 2,935,981</b>                   | <b>\$ 316,018</b>                 | <b>\$ 249,896</b>  | <b>\$ 565,914</b>                        | <b>\$ 3,501,895</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, 2018**

|  | Program Services    |                   |                        | Supporting Services    |                   |                           | Total               |
|--|---------------------|-------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|
|  | Housing             | ReStore           | Total Program Services | Management and General | Fundraising       | Total Supporting Services |                     |
| <b>Wages</b>                             | \$ 528,287          | \$ 371,336        | \$ 899,623             | \$ 200,967             | \$ 144,145        | \$ 345,112                | \$ 1,244,735        |
| <b>Occupancy</b>                         |                     |                   |                        |                        |                   |                           |                     |
| Interest                                 | 31,528              | 6,568             | 38,096                 | 1,051                  | 394               | 1,445                     | 39,541              |
| Utilities                                | 16,006              | 32,919            | 48,925                 | 4,166                  | 4,055             | 8,221                     | 57,146              |
| Insurance                                | 27,980              | 23,412            | 51,392                 | 5,442                  | 4,473             | 9,915                     | 61,307              |
| Repairs and Maintenance                  | 8,311               | 35,719            | 44,030                 | 1,838                  | 1,011             | 2,849                     | 46,879              |
| <b>Total Occupancy</b>                   | <b>83,825</b>       | <b>98,618</b>     | <b>182,443</b>         | <b>12,497</b>          | <b>9,933</b>      | <b>22,430</b>             | <b>204,873</b>      |
| <b>Operating</b>                         |                     |                   |                        |                        |                   |                           |                     |
| Direct Construction Costs - NMTC         | 525,344             | -                 | 525,344                | -                      | -                 | -                         | 525,344             |
| Direct Construction Costs - Other        | 689,272             | -                 | 689,272                | -                      | -                 | -                         | 689,272             |
| Cost of Goods Sold                       | -                   | 78,674            | 78,674                 | -                      | -                 | -                         | 78,674              |
| Supplies and General                     | 2,860               | 9,747             | 12,607                 | 4,369                  | 902               | 5,271                     | 17,878              |
| Vehicle Fuel, Insurance, and Maintenance | 4,150               | 4,993             | 9,143                  | 518                    | 274               | 792                       | 9,935               |
| Other Operating Costs                    | 84,067              | 80,154            | 164,221                | 29,680                 | 20,240            | 49,920                    | 214,141             |
| <b>Total Operating</b>                   | <b>1,305,693</b>    | <b>173,568</b>    | <b>1,479,261</b>       | <b>34,567</b>          | <b>21,416</b>     | <b>55,983</b>             | <b>1,535,244</b>    |
| <b>Administrative</b>                    |                     |                   |                        |                        |                   |                           |                     |
| Payroll Taxes and Benefits               | 116,870             | 79,139            | 196,009                | 28,648                 | 30,713            | 59,361                    | 255,370             |
| Professional Fees                        | 52,854              | 70,808            | 123,662                | 24,158                 | -                 | 24,158                    | 147,820             |
| <b>Total Administrative</b>              | <b>169,724</b>      | <b>149,947</b>    | <b>319,671</b>         | <b>52,806</b>          | <b>30,713</b>     | <b>83,519</b>             | <b>403,190</b>      |
| <b>Depreciation</b>                      | <b>6,795</b>        | <b>49,718</b>     | <b>56,513</b>          | <b>2,068</b>           | <b>784</b>        | <b>2,852</b>              | <b>59,365</b>       |
| <b>Total Functional Expenses</b>         | <b>\$ 2,094,324</b> | <b>\$ 843,187</b> | <b>\$ 2,937,511</b>    | <b>\$ 302,905</b>      | <b>\$ 206,991</b> | <b>\$ 509,896</b>         | <b>\$ 3,447,407</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, 2019 and 2018**

|   | 2019               | 2018               |
|---|--------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>   |                    |                    |
| Change in Net Assets  | \$ (517,222)       | \$ (129,982)       |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash Used in Operating Activities |                    |                    |
| Depreciation  | 65,159             | 59,365             |
| Loss on Disposal of Assets  | 54,728             | -                  |
| Gain on Sale of Mortgage Notes Receivable   | (627,248)          | (807,898)          |
| Loss on Sale of Land for Future Home Sites  | -                  | 9,410              |
| Donations of Land for Future Home Sites   | -                  | (30,000)           |
| Income from HFHI NMTC Sub-CDE I, LLC  | (10,203)           | (10,203)           |
| Amortization of Loan Obligation Costs   | 13,754             | 13,754             |
| (Increase) Decrease in Assets   |                    |                    |
| Restricted Cash   | (59,374)           | (31,714)           |
| Mortgage Notes Receivable   | (123,562)          | (353,849)          |
| Pledges Receivable  | 515                | (13,694)           |
| Grants Receivable   | -                  | 7,000              |
| Accounts Receivable   | 3,440              | (73,117)           |
| Notes Receivable - Microfinance Fund  | (10,255)           | -                  |
| Inventory   | 2,263              | 11,839             |
| Other Assets  | (3,925)            | (120,676)          |
| Construction in Progress  | (183,594)          | 323,327            |
| Increase (Decrease) in Liabilities  |                    |                    |
| Accounts Payable  | 11,664             | (19,355)           |
| Accrued Payroll and Other Expenses  | 13,217             | (1,263)            |
| Deferred Revenue  | (10,749)           | 39,251             |
| Escrow Deposits   | 25,243             | (7,537)            |
| <b>Net Cash Used in Operating Activities</b>  | <b>(1,356,149)</b> | <b>(1,135,342)</b> |
| <b>Cash Flows from Investing Activities</b>   |                    |                    |
| Distribution from HFHI NMTC Sub-CDE I, LLC  | 10,203             | 10,203             |
| Purchases of Property and Equipment   | -                  | (42,287)           |
| Proceeds from Sale of Mortgage Notes Receivable   | 1,077,149          | 1,475,705          |
| Proceeds from Sale of Land Held for Future Home Sites                                     | 216,791            | 151,999            |
| Purchases of Land Held for Future Home Sites  | (307,250)          | (269,668)          |
| <b>Net Cash Provided by Investing Activities</b>  | <b>996,893</b>     | <b>1,325,952</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, 2019 and 2018**

|   | 2019              | 2018              |
|---|-------------------|-------------------|
| <b>Cash Flows from Financing Activities</b>                 |                   |                   |
| Proceeds from Lines of Credit                               | 500,000           | 650,000           |
| Repayments of Lines of Credit                               | (250,000)         | (650,000)         |
| Principal Payments on Notes Payable                         | (53,020)          | (58,403)          |
|   | <hr/>             |                   |
| <b>Net Cash Provided by (Used in) Financing Activities</b>  | <b>196,980</b>    | <b>(58,403)</b>   |
|   | <hr/>             |                   |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b> | <b>(162,276)</b>  | <b>132,207</b>    |
|   | <hr/>             |                   |
| <b>Cash and Cash Equivalents, Beginning of Year</b>         | <b>525,713</b>    | <b>393,506</b>    |
|   | <hr/>             |                   |
| <b>Cash and Cash Equivalents, End of Year</b>               | <b>\$ 363,437</b> | <b>\$ 525,713</b> |
|   | <hr/>             |                   |
| <b>Supplemental Disclosures of Cash Flow Information</b>    |                   |                   |
| Cash Paid During the Year for Interest                      | \$ 50,229         | \$ 39,541         |
| Noncash Donations of Materials, Supplies and Other          | \$ 55,333         | \$ 84,779         |
|   | <hr/>             |                   |

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

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

---

### 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, 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 4). In effect, homeowners, when making monthly mortgage payments for their homes, are supporting the construction financing for future homeowners.

HFHSTW's programs include:

#### Housing

HFHSTW provides exceptional services to ensure that low-income individuals and families in western St. Tammany Parish have the opportunity for successful and sustainable homeownership. For 38 years, HFHSTW has been offering a hand up, not a handout, to its partner families. All Habitat homeowners purchase their homes and pay an affordable, interest-free mortgage. In 2013, HFHSTW opened the St. Tammany Homeownership Center (HOC). HOC services include financial literacy, first-time homebuyer training, and home maintenance classes. The HOC is open to both HFHSTW homebuyers and to any first-time homebuyer in St. Tammany Parish.

#### ReStore

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).

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

---

### 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:

*Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions:* Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no donor-imposed restrictions that are perpetual in nature as of June 30, 2019 and 2018. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restriction has been fulfilled, or both.

#### **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.

#### **Restricted 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. Restricted cash for escrow deposits as of June 30, 2019 and 2018, was \$142,822 and \$117,579, 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, 2019 and 2018 was \$32,246 and \$42,995, respectively.

During the year ended June 30, 2018, HFHSTW created a Microfinance Fund, used to make short-term, low-interest loans to HFHSTW homeowners in need of critical home repairs. The balance of the Microfinance Fund as of June 30, 2019 and 2018 was \$94,880 and \$50,000, respectively.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

---

### 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, 2019 and 2018, 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, 2019 and 2018, the allowance for uncollectible amounts totaled \$19,695 and \$19,705, 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, 2019 and 2018, inventory totaled \$18,628 and \$20,891, 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, 2019 and 2018, construction in progress included:

|                                       | 2019              | 2018              |
|---------------------------------------|-------------------|-------------------|
| New Homes under Construction          | \$ 311,722        | \$ 182,856        |
| <b>Total Construction in Progress</b> | <b>\$ 311,722</b> | <b>\$ 182,856</b> |

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

---

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

#### **Property and Equipment**

Property and equipment consist of land, buildings and improvements, office furniture and equipment, and vehicles, and are 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, 2019 and 2018, depreciation expense totaled \$65,159 and \$59,365, 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 6) have been capitalized and are being amortized over the estimated life of the related note payable. Financing and loan acquisition costs totaled \$165,407 as of June 30, 2019 and 2018. Accumulated amortization totaled \$52,724 as of June 30, 2019 and \$38,970 as of June 30, 2018.

#### **Compensated Absences**

Accumulated paid time off is payable upon termination of employment and is accrued. HFHSTW's obligation as of June 30, 2019 and 2018, totaled \$74,453 and \$59,779, 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 not restricted 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions were made. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.



## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

---

#### 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 support without donor restrictions, 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 support with donor restrictions.

##### **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 \$28,351 and \$34,952 for the years ended June 30, 2019 and 2018, respectively.

Donations of materials, supplies, and other totaled \$55,333 and \$84,779 for the years ended June 30, 2019 and 2018, respectively.

##### **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.

##### **Sales Tax**

The State of Louisiana and St. Tammany Parish impose a combined sales tax of 8.7% 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, 2019 and 2018, HFHSTW remitted state sales taxes totaling \$75,653 and \$79,927, respectively. Sales tax collected and paid is not reported as revenues and expenses on the statements of activities and changes in net assets.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

---

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

#### **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, 2019 and 2018, advertising costs totaled \$9,935 and \$16,739, respectively.

#### **Functional Allocated Expenses**

Expenses are summarized on a functional basis. The statements of functional expense present the natural classification detail of expense by function. Salaries and related payroll expenses are allocated 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. The other shared expenses that are allocated include utilities, insurance, telephone, rent, and interest.

#### **Recent Accounting Pronouncements - Not Yet Adopted**

In May 2014, the FASB issued Accounting Standard Update (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 ending June 30, 2020, though early adopted is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. HFHSTW does not anticipate this standard having a material impact on its financial statements.

In January 2016, the FASB 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 statement of financial position 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, 2020. Management is currently evaluating the impact ASU 2016-02 will have on its financial statements.

#### **Recent Accounting Pronouncements - Adopted**

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit-Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expense and investment return. HFHSTW adopted ASU 2016-14 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. There was no impact to net assets as a whole or the total change in net assets as a result of these reclassifications.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

---

#### Note 2. Liquidity and Availability

HFHSTW regularly monitors liquidity required to meet its operating needs and other contractual commitments. HFHSTW manages its cash available to meet general expenditures following the guiding principles of operating within a prudent range of financial soundness and stability and maintain adequate liquid assets. In addition, HFHSTW maintains a line of credit as a source of liquidity if needed. See Note 7 for information about this line of credit. In addition to financial assets available to meet general expenditures over the next 12 months, HFHSTW operates with a budget to monitor resources and spending.

As of June 30, 2019, financial assets available for general operating purposes within one year of the balance sheet date, consist of the following:

|   |                            |
|---|----------------------------|
| Cash and Cash Equivalents                       | \$ 363,437                 |
| Mortgage Notes Receivable, Current Portion, Net | 395,767                    |
| Pledges Receivable, Current Portion, Net        | 124,310                    |
| Accounts Receivable                             | <u>130,555</u>             |
| <b>Total</b>                                    | <b><u>\$ 1,014,069</u></b> |

#### Note 3. 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, 2019, HFHSTW had no cash deposits in excess of the insured limits.

#### Note 4. Mortgage Notes Receivable

HFHSTW sells its completed homes to individual and 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, 2019, HFHSTW held 144 non-interest-bearing loans, 10 of which (\$461,034 gross carrying value) were pledged to secure certain notes payable. As of June 30, 2018, HFHSTW held 152 non-interest-bearing loans, 17 of which (\$720,234 gross carrying value) were pledged to secure certain notes payable (see Note 10).

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

---

### Note 4. Mortgage Notes Receivable (Continued)

During the year ended June 30, 2019, HFHSTW sold 10 of its loans (\$1,145,374 gross carrying value) to a financial institution. The sales prices ranged from 90% to 100% of face value. During the year ended June 30, 2018, HFHSTW sold 19 of its loans (\$1,637,932 gross carrying value) to a financial institution for 90% 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, 2019, HFHSTW repurchased and replaced two delinquent loans, with a gross carrying value of \$105,105. During the year ended June 30, 2018, HFHSTW repurchased and replaced two delinquent loans, with a gross carrying value of \$169,964.

As of June 30, 2019 and 2018, a summary of the mortgage notes receivable was:

|                                       | 2019                       | 2018                       |
|---------------------------------------|----------------------------|----------------------------|
| Mortgage Notes Receivable             | \$ 5,628,939               | \$ 6,235,204               |
| Unamortized Discount                  | <u>(3,089,067)</u>         | <u>(3,368,993)</u>         |
| <b>Mortgage Notes Receivable, Net</b> | <b><u>\$ 2,539,872</u></b> | <b><u>\$ 2,866,211</u></b> |
| Current Portion                       | \$ 395,767                 | \$ 414,355                 |
| Long-Term                             | <u>2,144,105</u>           | <u>2,451,856</u>           |
| <b>Total</b>                          | <b><u>\$ 2,539,872</u></b> | <b><u>\$ 2,866,211</u></b> |

As of June 30, 2019, contractual maturities of mortgage notes receivable were as follows:

| Year Ending<br>June 30, | Amount                     |
|-------------------------|----------------------------|
| 2020                    | \$ 395,767                 |
| 2021                    | 395,301                    |
| 2022                    | 384,515                    |
| 2023                    | 369,997                    |
| 2024                    | 351,858                    |
| Thereafter              | <u>3,731,501</u>           |
| <b>Total</b>            | <b><u>\$ 5,628,939</u></b> |

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

#### Note 5. Pledges Receivable

Beginning in the year ended June 30, 2013 and for each year thereafter, HFHSTW has 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 \$5,116 and \$10,400 of pledges to be uncollectible as of June 30, 2019 and 2018, respectively.

As of June 30, 2019 and 2018, a summary of the CPB pledges receivable is as follows:

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| Pledges Receivable, Beginning of Year  | \$ 201,709        | \$ 180,944        |
| New CPB Pledges Made During the Year   | 184,085           | 213,655           |
| Less:                                  |                   |                   |
| Cash Received                          | (183,728)         | (182,490)         |
| Write-Offs                             | (5,116)           | (10,400)          |
| <b>Pledges Receivable, End of Year</b> | <b>196,950</b>    | <b>201,709</b>    |
| Unamortized Discount                   | (3,632)           | (7,866)           |
| Allowance for Doubtful Promises        | (19,695)          | (19,705)          |
| <b>Pledges Receivable, Net</b>         | <b>\$ 173,623</b> | <b>\$ 174,138</b> |
| Current Portion                        | \$ 124,310        | \$ 44,398         |
| Long-Term                              | 49,313            | 129,740           |
| <b>Total</b>                           | <b>\$ 173,623</b> | <b>\$ 174,138</b> |

Future maturities of pledges receivable are as follows:

| Year Ending<br>June 30, | Amount            |
|-------------------------|-------------------|
| 2020                    | \$ 124,310        |
| 2021                    | 41,140            |
| 2022                    | 14,100            |
| 2023                    | 8,600             |
| 2024                    | 8,800             |
| <b>Total</b>            | <b>\$ 196,950</b> |

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

---

#### **Note 6. New Markets Tax Credit**

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, 2019 and 2018, was \$1,021,941. Interest income earned on the investment in HFHI NMTC Sub-CDE I, LLC totaled \$10,203 for the years ended June 30, 2019, and 2018. HFHSTW secured a 30-year loan in the amount of \$1,495,639 payable to a community development entity. The loan proceeds were 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 \$10,203 for the years ended June 30, 2019 and 2018.

Included in the statements of financial position as of June 30, 2019 and 2018, is \$112,683 and \$126,437, respectively, of unamortized closing costs related to the NMTC. These costs are being amortized on a straight-line basis from seven to thirty years.

HFHSTW is subject to certain financial covenants under the loan agreement with a community development entity. HFHSTW is required to have a solvency ratio of not less than 1.1 to 1.0 of total assets to total debt, and a debt service coverage ratio of not less than 1.1 to 1.0. At June 30, 2019, HFHSTW was in compliance with these covenants.

#### **Note 7. Line of Credit**

In February 2013, HFHSTW obtained a line of credit at a financial institution with a floating interest rate of the Wall Street Journal Prime Rate, 5.5% as of June 30, 2019, with an original maturity date of February 19, 2014. This line of credit has been renewed annually and has a current maturity date of October 15, 2019. Management is currently in the process of renewing this line of credit under the same terms as above. Borrowings under the line are collateralized by certain assets of HFHSTW. The maximum borrowing limit is \$750,000. The outstanding balance on the line of credit as of June 30, 2019 is \$250,000. There was no outstanding balance on the line of credit as of June 30, 2018. For the years ended June 30, 2019 and 2018, interest expense on the line of credit totaled \$14,964 and \$3,068, respectively.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

### Note 8. Notes Payable

As of June 30, 2019 and 2018, HFHSTW had the following notes payable:

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| 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.  | \$ 534,422        | \$ 561,542        |
| 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.    | -                 | 6,508             |
| 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. | 6,030             | 12,498            |
| 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.       | 3,663             | 9,951             |
| 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.   | 1,800             | 2,508             |
| 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. | 14,858            | 20,786            |
|  | <b>560,773</b>    | 613,793           |
| <b>Less Current Portion</b>  | <b>(44,650)</b>   | <b>(53,023)</b>   |
| <b>Long-Term Portion</b>   | <b>\$ 516,123</b> | <b>\$ 560,770</b> |

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

---

### Note 8. Notes Payable (Continued)

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

| Year Ending<br>June 30, | Amount                   |
|-------------------------|--------------------------|
| 2020                    | \$ 44,650                |
| 2021                    | 36,342                   |
| 2022                    | 34,477                   |
| 2023                    | <u>445,304</u>           |
| <b>Total</b>            | <u><u>\$ 560,773</u></u> |

Total interest expense for the above notes payable totaled \$25,062 and \$26,270, for the years ended June 30, 2019 and 2018, respectively.

### Note 9. Net Assets With Donor Restrictions and Net Assets Released from Restrictions

As of June 30, 2019 and 2018, HFHSTW net assets with donor restrictions of \$173,623 and \$174,138, respectively, are time restricted by donors related to pledges receivable. Net assets released from restrictions for the year ended June 30, 2019 and 2018 totaled \$184,600 and \$199,961, respectively, and relate to expiration of time restrictions on pledges receivable.

### Note 10. 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, 2019 and 2018, the following amounts are included in the statements of activities and changes in net assets:

|  | 2019                     | 2018                     |
|--|--------------------------|--------------------------|
| <b>Sales of Houses</b>   |                          |                          |
| Sales Income   | \$ 1,087,218             | \$ 1,107,203             |
| Mortgage Discount Expense  | <u>(643,658)</u>         | <u>(640,822)</u>         |
| <b>Sales of Houses, Net of Discount Expense</b>                      | <u><u>\$ 443,560</u></u> | <u><u>\$ 466,381</u></u> |
| <b>Amortization Income on Mortgage Notes<br/>Receivable Discount</b> | <u><u>\$ 243,770</u></u> | <u><u>\$ 164,581</u></u> |



## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

---

#### 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 \$19,294 and \$17,343 for the years ended June 30, 2019 and 2018, respectively.

#### Note 12. Operating Lease

During the year ended June 30, 2019, HFHSTW renewed an operating lease for an administrative office space. Lease expense related to the office space totaled \$15,600 and \$15,000 for the years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2019, HFHSTW renewed an operating lease for a freightliner truck to be used in ReStore operations. Lease expense related to the freightliner totaled \$18,466 and \$18,058 for the years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2018, HFHSTW entered into an operating lease for a construction warehouse. Lease expense related to the warehouse totaled \$6,250 and \$-0-, for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

| Year Ending<br>June 30, | Amount                   |
|-------------------------|--------------------------|
| 2020                    | \$ 43,930                |
| 2021                    | 37,530                   |
| 2022                    | 23,080                   |
| 2023                    | 13,080                   |
| 2024                    | <u>3,270</u>             |
| <b>Total</b>            | <b><u>\$ 120,890</u></b> |

#### Note 13. Related Party Transaction

HFHSTW annually remits a portion of its contributions without donor restrictions (excluding in-kind contributions) to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. HFHSTW contributed \$12,000 in both the years ended June 30, 2019 and June 30, 2018, to Habitat for Humanity International, which is included in other operating costs on the statement of functional expenses.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

---

#### **Note 14. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 21, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.