

**HABITAT FOR HUMANITY
ST. TAMMANY WEST**

Audits of Financial Statements

June 30, 2020 and 2019



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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 statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

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

A Professional Accounting Corporation

Metairie, LA
October 27, 2020

HABITAT FOR HUMANITY ST. TAMMANY WEST
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 764,750	\$ 363,437
Restricted Cash - Escrow Deposits	139,757	142,822
Restricted Cash - Expense Reserve	21,497	32,246
Restricted Cash - Microfinance Fund	97,549	94,880
Mortgage Notes Receivable, Current Portion, Net	322,665	395,767
Pledges Receivable, Current Portion, Net	113,834	124,310
Grants Receivable	37,856	-
Accounts Receivable	77,330	130,555
Notes Receivable - Microfinance Fund	6,327	10,255
Inventory	25,300	18,628
Other Assets	20,009	20,945
Construction in Progress	562,059	311,722
Total Current Assets	2,188,933	1,645,567
Property and Equipment		
Building and Improvements	1,608,510	1,675,008
Vehicles	168,160	153,379
Office Furniture and Equipment	112,106	111,857
	1,888,776	1,940,244
Less: Accumulated Depreciation	(922,467)	(927,392)
	966,309	1,012,852
Land	500,829	540,829
Total Property and Equipment, Net	1,467,138	1,553,681
Other Assets		
Long-Term Portion of Mortgage Notes Receivable, Net of Unamortized Discounts	1,646,011	2,144,105
Investment in HFHI NMTC Sub-CDE I, LLC	1,021,941	1,021,941
Land Held for Future Home Sites	547,641	615,005
Security Deposits	2,782	2,782
Long-Term Portion of Pledges Receivable	59,243	49,313
Other	320,771	320,152
Total Other Assets	3,598,389	4,153,298
Total Assets	\$ 7,254,460	\$ 7,352,546

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

HABITAT FOR HUMANITY ST. TAMMANY WEST
Statements of Financial Position (Continued)
June 30, 2020 and 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 80,356	\$ 84,115
Accrued Payroll and Other Expenses	131,692	101,243
Line of Credit Payable	-	250,000
Current Maturities of Notes Payable	164,277	44,650
Deferred Revenue	66,633	82,246
Escrow Deposits	139,757	142,822
	<hr/>	<hr/>
Total Current Liabilities	582,715	705,076
Long-Term Liabilities		
Long-Term Portion of Notes Payable	639,887	516,123
QLICI Note Payable	1,495,639	1,495,639
Less: Loan Obligation Costs, Net	(98,929)	(112,683)
	<hr/>	<hr/>
Total Long-Term Liabilities	2,036,597	1,899,079
	<hr/>	<hr/>
Total Liabilities	2,619,312	2,604,155
Net Assets		
Without Donor Restrictions	4,462,071	4,574,768
With Donor Restrictions	173,077	173,623
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Total Net Assets	4,635,148	4,748,391
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Total Liabilities and Net Assets	\$ 7,254,460	\$ 7,352,546

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Sales of Houses			
Sales Revenue	\$ 624,732	\$ -	\$ 624,732
Less: Mortgage Notes Receivable Discount	(359,576)	-	(359,576)
Amortization of Mortgage Notes			
Receivable Discount	359,434	-	359,434
ReStore Revenues	791,128	-	791,128
Grants	97,500	-	97,500
Contributions	218,912	-	218,912
Event Revenues			
Event Income	184,039	145,845	329,884
Event Expenses	(36,590)	-	(36,590)
Volunteer Income	18,966	-	18,966
HFHI NMTC Sub CDE I, LLC			
Investment Income	10,203	-	10,203
Contributions In-Kind	86,310	-	86,310
Gain on Sale of Mortgages Receivable	699,696	-	699,696
Gain on Sale of Assets	15,036	-	15,036
Other Revenue	130,612	-	130,612
	2,840,402	145,845	2,986,247
Net Assets Released from Restrictions	146,391	(146,391)	-
	2,986,793	(546)	2,986,247
Expenses			
Program Services			
Housing	1,778,057	-	1,778,057
ReStore	751,902	-	751,902
Supporting Services			
Management and General	327,334	-	327,334
Fundraising	242,197	-	242,197
	3,099,490	-	3,099,490
Change in Net Assets	(112,697)	(546)	(113,243)
Net Assets, Beginning of Year	4,574,768	173,623	4,748,391
Net Assets, End of Year	\$ 4,462,071	\$ 173,077	\$ 4,635,148

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 Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Sales of Houses			
Sales Revenue	\$ 1,087,218	\$ -	\$ 1,087,218
Less: Mortgage Notes Receivable Discount	(643,658)	-	(643,658)
Amortization of Mortgage Notes			
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>
Net Assets Released from Restrictions	<u>184,600</u>	<u>(184,600)</u>	<u>-</u>
Total Revenues, Gains, and Support	<u>2,985,188</u>	<u>(515)</u>	<u>2,984,673</u>
Expenses			
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
Total Expenses	<u>3,501,895</u>	<u>-</u>	<u>3,501,895</u>
Change in Net Assets	(516,707)	(515)	(517,222)
Net Assets, Beginning of Year	<u>5,091,475</u>	<u>174,138</u>	<u>5,265,613</u>
Net Assets, End of Year	<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 Functional Expenses
For the Year Ended June 30, 2020

	Program Services		Total Program Services	Supporting Services		Total Supporting Services	Total
	Housing	ReStore		Management and General	Fundraising		
Wages	\$ 574,765	\$ 360,324	\$ 935,089	\$ 218,085	\$ 173,137	\$ 391,222	\$ 1,326,311
Occupancy							
Interest	34,837	5,966	40,803	955	358	1,313	42,116
Utilities	13,708	24,187	37,895	3,757	4,363	8,120	46,015
Insurance	39,349	17,492	56,841	4,437	4,592	9,029	65,870
Repairs and Maintenance	20,880	32,643	53,523	3,942	1,246	5,188	58,711
Total Occupancy	108,774	80,288	189,062	13,091	10,559	23,650	212,712
Operating							
Direct Construction Costs - NMTC	13,754	-	13,754	-	-	-	13,754
Direct Construction Costs - Other	761,396	-	761,396	-	-	-	761,396
Cost of Goods Sold	-	27,241	27,241	-	-	-	27,241
Supplies and General	9,396	10,722	20,118	2,015	515	2,530	22,648
Vehicle Fuel, Insurance, and Maintenance	2,465	7,411	9,876	343	270	613	10,489
Other Operating Costs	111,209	73,516	184,725	37,928	22,045	59,973	244,698
Total Operating	898,220	118,890	1,017,110	40,286	22,830	63,116	1,080,226
Administrative							
Payroll Taxes and Benefits	122,907	69,242	192,149	25,794	34,887	60,681	252,830
Professional Fees	62,306	68,416	130,722	28,510	-	28,510	159,232
Total Administrative	185,213	137,658	322,871	54,304	34,887	89,191	412,062
Depreciation	11,085	54,742	65,827	1,568	784	2,352	68,179
Total Functional Expenses	\$ 1,778,057	\$ 751,902	\$ 2,529,959	\$ 327,334	\$ 242,197	\$ 569,531	\$ 3,099,490

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

	Program Services		Total Program Services	Supporting Services		Total Supporting Services	Total
	Housing	ReStore		Management and General	Fundraising		
Wages	\$ 564,059	\$ 348,781	\$ 912,840	\$ 215,862	\$ 176,943	\$ 392,805	\$ 1,305,645
Occupancy							
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
Total Occupancy	93,517	79,716	173,233	12,934	9,702	22,636	195,869
Operating							
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 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
Total Operating	1,342,648	108,465	1,451,113	31,906	23,850	55,756	1,506,869
Administrative							
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
Total Administrative	187,653	148,335	335,988	53,748	38,617	92,365	428,353
Depreciation	8,065	54,742	62,807	1,568	784	2,352	65,159
Total Functional Expenses	\$ 2,195,942	\$ 740,039	\$ 2,935,981	\$ 316,018	\$ 249,896	\$ 565,914	\$ 3,501,895

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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ (113,243)	\$ (517,222)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation	68,179	65,159
(Gain) Loss on Disposal of Assets	(15,036)	54,728
Gain on Sale of Mortgage Notes Receivable	(699,696)	(627,248)
Donations of Land for Future Home Sites	(24,800)	-
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		
Mortgage Notes Receivable	(68,220)	(123,562)
Pledges Receivable	546	515
Grants Receivable	(37,856)	-
Accounts Receivable	53,225	3,440
Notes Receivable - Microfinance Fund	3,928	(10,255)
Inventory	(6,672)	2,263
Other Assets	317	(3,925)
Construction in Progress	(250,337)	(183,594)
Increase (Decrease) in Liabilities		
Accounts Payable	(3,759)	11,664
Accrued Payroll and Other Expenses	30,449	13,217
Deferred Revenue	(15,613)	(10,749)
Escrow Deposits	(3,065)	25,243
Net Cash Used in Operating Activities	(1,078,102)	(1,296,775)
Cash Flows from Investing Activities		
Distribution from HFHI NMTC Sub-CDE I, LLC	10,203	10,203
Purchases of Property and Equipment	(43,200)	-
Proceeds from Sale of Property and Equipment	76,600	-
Proceeds from Sale of Mortgage Notes Receivable	1,339,112	1,077,149
Proceeds from Sale of Land Held for Future Home Sites	152,600	216,791
Purchases of Land Held for Future Home Sites	(60,436)	(307,250)
Net Cash Provided by Investing Activities	1,474,879	996,893

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, 2020 and 2019

	2020	2019
Cash Flows from Financing Activities		
Proceeds from Lines of Credit	100,000	500,000
Repayments of Lines of Credit	(350,000)	(250,000)
Proceeds from Notes Payable	285,200	-
Principal Payments on Notes Payable	(41,809)	(53,020)
	<u>(6,609)</u>	<u>196,980</u>
Net Cash (Used In) Provided by Financing Activities	(6,609)	196,980
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	390,168	(102,902)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	633,385	736,287
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 1,023,553	\$ 633,385
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 42,116	\$ 50,229
Non-Cash Donations of Materials, Supplies, and Other	\$ 103,782	\$ 55,333

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 5). 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 39 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. In 2020, the HOC was approved as a HUD local Housing Counseling Agency.

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, 2020 and 2019. 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 restricted 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.

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, 2020 and 2019, and, therefore, no allowance for losses has been provided.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Contributions are recognized when a 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, 2020 and 2019, the allowance for uncollectible amounts totaled \$9,299 and \$19,695, 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, 2020 and 2019, inventory totaled \$25,300 and \$18,628, 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, 2020 and 2019, construction in progress included:

	2020	2019
New Homes under Construction	<u>\$ 562,059</u>	<u>\$ 311,722</u>
Total Construction in Progress	<u>\$ 562,059</u>	<u>\$ 311,722</u>

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, 2020 and 2019, depreciation expense totaled \$68,179 and \$65,159, 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.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Loan Obligation Costs

Certain costs related to the New Markets Tax Credit financing (see Note 7) 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, 2020 and 2019. Accumulated amortization totaled \$66,478 as of June 30, 2020 and \$52,724 as of June 30, 2019.

Compensated Absences

Accumulated paid time off is payable upon termination of employment and is accrued. HFHSTW's obligation as of June 30, 2020 and 2019 totaled \$96,381 and \$74,453, 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.

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 \$39,386 and \$28,351 for the years ended June 30, 2020 and 2019, respectively.

Donations of materials, supplies, and other totaled \$103,782 and \$55,333 for the years ended June 30, 2020 and 2019, respectively.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

HFHSTW is a non-profit 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, 2020 and 2019, HFHSTW remitted state sales taxes totaling \$66,718 and \$75,653, respectively. Sales tax collected and paid is not reported as revenues and expenses on the statements 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, 2020 and 2019, advertising costs totaled \$4,183 and \$9,935, respectively.

Functional Allocated Expenses

Expenses are summarized on a functional basis. The statements of functional expenses 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements Pending Adoption

In May 2014, the FASB issued Accounting Standards 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 to which an entity expects to be entitled when products are transferred to customers. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Effective Dates for Certain Entities*, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606): Effective Dates for Certain Entities*, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2019. The standard permits the use of either a full retrospective or retrospective with cumulative effect transition method. HFHSTW is currently evaluating the impact ASU 2014-09 will have on its financial statements.

In February 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 financing or operating leases. 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. In June 2020, the FASB issued ASU 2020-05, *Leases (Topic 842): Effective Dates for Certain Entities*, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. HFHSTW is currently evaluating the impact ASU 2016-02 will have on its financial statements.

Recently Issued Accounting Pronouncements Adopted

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. HFHSTW has adopted ASU 2016-18 and has applied the ASU retrospectively to all periods presented.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides analysis and guidance on how the entity should identify between the two types of transactions which would then determine which standard to follow (ASU 2014-09 or FASB Subtopic 958-605) in recognizing the revenue or expense of the transaction. HFHSTW has implemented the provisions of ASU 2018-08 and has applied the ASU retrospectively to all periods presented. There was no impact on HFHSTW's financial statements as a whole as a result of the implementation of ASU 2018-08.

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 maintaining adequate liquid assets. In addition, HFHSTW maintains a line of credit as a source of liquidity if needed. See Note 8 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, 2020, financial assets available for general operating purposes within one year of the balance sheet date consist of the following:

Cash and Cash Equivalents	\$	764,750
Mortgage Notes Receivable, Current Portion, Net		322,665
Pledges Receivable, Current Portion, Net		113,834
Grants Receivable		37,856
Accounts Receivable		<u>77,330</u>
Total	\$	<u>1,316,435</u>

Note 3. Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	December 31,	
	2020	2019
Cash and Cash Equivalents	\$ 764,750	\$ 363,437
Restricted Cash	258,803	269,948
Total	\$ 1,023,553	\$ 633,385

HFHSTW services the mortgages on the homes it sells. Restricted cash for escrow deposits as of June 30, 2020 and 2019 was \$139,757 and \$142,822, 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, 2020 and 2019 was \$21,497 and \$32,246, respectively.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 3. Cash, Cash Equivalents, and Restricted Cash (Continued)

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, 2020 and 2019 was \$97,549 and \$94,880, respectively.

Note 4. 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, 2020, HFHSTW had cash deposits in excess of the insured limits in the amount of \$228,179. HFHSTW had no cash deposits in excess of the insured limits as of June 30, 2019.

Note 5. Mortgage Notes Receivable

HFHSTW sells its completed homes to individual and family partners in exchange for a mortgage note (see Note 11) secured by the residence with typical repayment terms over 15 to 35 years and bearing 0% interest. As of June 30, 2020, HFHSTW held 117 non-interest-bearing loans, 7 of which (\$306,049 gross carrying value) were pledged to secure certain notes payable. 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 (see Note 9).

During the year ended June 30, 2020, HFHSTW sold 26 of its loans (\$1,385,092 gross carrying value) to a financial institution. The sales prices ranged from 90% to 100% of face value. During the year ended June 30, 2019, HFHSTW sold 10 of its loans (\$1,145,374 gross carrying value) to a financial institution for 90% to 100% 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, 2020 no delinquent loans were repurchased and replaced. During the year ended June 30, 2019, HFHSTW repurchased and replaced two delinquent loans with a gross carrying value of \$105,105.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 5. Mortgage Notes Receivable (Continued)

As of June 30, 2020 and 2019, a summary of the mortgage notes receivable was:

	2020	2019
Mortgage Notes Receivable	\$ 4,308,527	\$ 5,628,939
Unamortized Discount	<u>(2,339,851)</u>	<u>(3,089,067)</u>
Mortgage Notes Receivable, Net	\$ 1,968,676	\$ 2,539,872
Current Portion	\$ 322,665	\$ 395,767
Long-Term	<u>1,646,011</u>	<u>2,144,105</u>
Total	\$ 1,968,676	\$ 2,539,872

As of June 30, 2020, contractual maturities of mortgage notes receivable were as follows:

Year Ending June 30,	Amount
2021	\$ 322,665
2022	316,304
2023	303,185
2024	289,337
2025	287,026
Thereafter	<u>2,790,010</u>
Total	\$ 4,308,527

Note 6. Pledges Receivable

Beginning in the year ended June 30, 2013 and for each year thereafter, HFHSTW has held its 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 \$4,510 and \$5,116 of pledges to be uncollectible as of June 30, 2020 and 2019, respectively.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 6. Pledges Receivable (Continued)

As of June 30, 2020 and 2019, a summary of the CPB pledges receivable is as follows:

	2020	2019
Pledges Receivable, Beginning of Year	\$ 196,950	\$ 201,709
New CPB Pledges Made During the Year	145,845	184,085
Less:		
Cash Received	(152,301)	(183,728)
Write-Offs	(4,510)	(5,116)
Pledges Receivable, End of Year	185,984	196,950
Unamortized Discount	(3,608)	(3,632)
Allowance for Doubtful Promises	(9,299)	(19,695)
Pledges Receivable, Net	\$ 173,077	\$ 173,623
Current Portion	\$ 113,834	\$ 124,310
Long-Term	59,243	49,313
Total	\$ 173,077	\$ 173,623

Future maturities of pledges receivable are as follows:

Year Ending June 30,	Amount
2021	\$ 113,834
2022	38,450
2023	14,300
2024	7,400
2025	4,800
Thereafter	7,200
Total	\$ 185,984

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 7. 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, 2020 and 2019 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, 2020 and 2019. 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, 2020 and 2019.

Included in the statements of financial position as of June 30, 2020 and 2019 is \$98,929 and \$112,683, respectively, of unamortized closing costs related to the NMTC. These costs are being amortized on a straight-line basis from 7 to 30 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, 2020, HFHSTW was in compliance with these covenants.

Note 8. 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, 3.25% as of June 30, 2020, with an original maturity date of February 19, 2014. This line of credit has been renewed annually and has a current maturity date of November 13, 2020. 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. There was no outstanding balance on the line of credit as of June 30, 2020. The outstanding balance on the line of credit as of June 30, 2019 was \$250,000. For the years ended June 30, 2020 and 2019, interest expense on the line of credit totaled \$8,048 and \$14,964, respectively.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 9. Notes Payable

As of June 30, 2020 and 2019, HFHSTW had the following notes payable:

	2020	2019
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 real estate and mortgage notes. The note matures in February 2023.	\$ 506,103	\$ 534,422
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.	1,179	6,030
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
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.	1,270	1,800
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.	10,412	14,858
Note Payable to Home Bank. The note is due in 18 equal installments of \$16,053. The note bears interest at 1% and is unsecured. The note matures in April 2022. The specific purpose of this loan is SBA Paycheck Protection Plan (PPP Loan). See Note 15.	285,200	-
	804,164	560,773
Less: Current Portion	(164,277)	(44,650)
Long-Term Portion	\$ 639,887	\$ 516,123

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 9. Notes Payable (Continued)

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

Year Ending June 30,	Amount
2021	\$ 164,277
2022	194,580
2023	<u>445,307</u>
Total	<u>\$ 804,164</u>

Total interest expense for the above notes payable totaled \$23,864 and \$25,062 for the years ended June 30, 2020 and 2019, respectively.

Note 10. Net Assets With Donor Restrictions and Net Assets Released from Restrictions

As of June 30, 2020 and 2019, HFHSTW's net assets with donor restrictions of \$173,077 and \$173,623, respectively, are time restricted by donors related to pledges receivable. Net assets released from restrictions for the years ended June 30, 2020 and 2019 totaled \$146,391 and \$184,600, respectively, and relate to expiration of time restrictions on pledges receivable.

Note 11. 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, 2020 and 2019, the following amounts are included in the statements of activities and changes in net assets:

	2020	2019
Sales of Houses		
Sales Income	\$ 624,732	\$ 1,087,218
Mortgage Discount Expense	<u>(359,576)</u>	<u>(643,658)</u>
Sales of Houses, Net of Discount Expense	<u>\$ 265,156</u>	<u>\$ 443,560</u>
Amortization Income on Mortgage Notes Receivable Discount	<u>\$ 359,434</u>	<u>\$ 243,770</u>

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 12. 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 \$20,918 and \$19,294 for the years ended June 30, 2020 and 2019, respectively.

Note 13. 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 \$15,900 and \$15,600 for the years ended June 30, 2020 and 2019, 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 \$14,320 and \$18,466 for the years ended June 30, 2020 and 2019, respectively.

During the year ended June 30, 2019, HFHSTW renewed an operating lease for a construction warehouse. Lease expense related to the warehouse totaled \$15,000 and \$6,250 for the years ended June 30, 2020 and 2019, respectively.

During the year ended June 30, 2020, HFHSTW renewed an operating lease for three color copiers. Lease expense related to the copiers totaled \$7,872 and \$6,176 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2021	\$ 45,402
2022	30,952
2023	15,108
2024	<u>5,298</u>
Total	<u>\$ 96,760</u>

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 14. Related-Party Transactions

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 \$9,000 and \$12,000 for the years ended June 30, 2020 and June 30, 2019, respectively, to Habitat for Humanity International, which is included in other operating costs on the statements of functional expenses.

Note 15. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern”, and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which HFHSTW operates.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families, and businesses affected by the coronavirus pandemic. The HFHSTW’s PPP loan may qualify for forgiveness. However, HFHSTW may be required to repay its PPP loan to the extent any balance remains unforgiven.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 27, 2020, 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.