

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





FINANCIAL REPORT

June 30, 2015



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Helena Area Habitat for Humanity
Helena, Montana

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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 balance sheet referred to in the first paragraph presents fairly, in all material respects, the financial position of the Helena Area Habitat for Humanity as of June 24, 2016, in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Statement of Activities, Functional Expenses, and Cash Flows

Because we were not engaged to audit the statement of activities, functional expenses, and cash flows, we did not extend our auditing procedures to enable us to express an opinion on results of operations and cash flows for the year ended June 30, 2015. Accordingly, we express no opinion on the results of operations and cash flows for the year ended June 30, 2015.

Compiled Statements of Activities, Functional Expenses and Cash Flows

The statements of activities, functional expenses and cash flows were compiled by us, and our report thereon, dated June 24, 2016, stated we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.



Helena, Montana
June 24, 2016

FINANCIAL STATEMENTS

HELENA AREA HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 82,708
Reserved cash	19,682
Prepaid expenses	500
Escrow payments receivable	8,594
Current portion of mortgages receivable	<u>19,063</u>
Total current assets	<u>130,547</u>

PROPERTY AND EQUIPMENT

Buildings and improvements	200,000
Furniture and fixtures	<u>35,309</u>
	235,309
Less accumulated depreciation	<u>(49,379)</u>
	<u>185,930</u>

OTHER ASSETS

Home held for resale	60,396
Home construction in progress	113,358
Mortgages receivable, net of current portion	425,684
Unamortized mortgage discount	<u>(244,938)</u>
	<u>354,500</u>

Total assets \$ 670,977

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,090
Accrued expenses	17,989
Escrow accounts	1,842
Current portion, long-term debt	<u>47,079</u>
Total current liabilities	<u>71,000</u>

LONG-TERM LIABILITIES

Notes payable, net of current portion	<u>173,014</u>
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NET ASSETS

Unrestricted	<u>426,963</u>
Total net assets	<u>426,963</u>

Total liabilities and net assets \$ 670,977

The Notes to Financial Statements are an integral part of this statement.

HELENA AREA HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015 (unaudited)

UNRESTRICTED NET ASSETS

REVENUE AND SUPPORT

Contributions	\$ 53,848
Grant revenue	41,500
ReStore sales, net	249,479
Other program income	33,430
Loss on sale of home	(39,516)
Mortgage discount amortization	10,320
In-kind donation	4,541
Miscellaneous	3,266
Net assets released from restrictions	<u>10,100</u>
Total unrestricted revenue and support	<u>366,968</u>

EXPENSES

Program services:

ReStore	174,526
Construction costs	12,215

Support services:

General and administrative	180,822
Maintenance	4,706
Fundraising	<u>2,904</u>

Total expenses	<u>375,173</u>
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Change in unrestricted net assets	<u>(8,205)</u>
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TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from restrictions	<u>(10,100)</u>
Change in temporarily restricted net assets	<u>(10,100)</u>

Change in net assets	(18,305)
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Net assets, beginning of year	<u>445,268</u>
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Net assets, end of year	<u>\$ 426,963</u>
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The Notes to Financial Statements are an integral part of this statement.

HELENA AREA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015 (unaudited)

	Program Services			Support Services			Total	
	ReStore	Construction Costs	Total Program Services	Fundraising	Maintenance	General and Administrative		Total Support Services
EXPENSES								
Salaries	\$ 116,166	\$ 6,322	\$ 122,488	\$ -	\$ -	\$ 51,720	\$ 51,720	\$ 174,208
Payroll taxes and related benefits	11,599	671	12,270	-	-	2,968	2,968	15,238
Contracted services	-	1,332	1,332	-	-	8,126	8,126	9,458
Utilities	11,792	-	11,792	-	1,045	5,190	6,235	18,027
Professional fees	-	-	-	-	-	5,060	5,060	5,060
Campaign	-	-	-	2,904	-	-	2,904	2,904
Bank fees/credit card service fees	3,140	-	3,140	-	-	451	451	3,591
Insurance	3,052	1,519	4,571	-	-	1,344	1,344	5,915
Interest	-	-	-	-	-	14,338	14,338	14,338
Depreciation	8,727	-	8,727	-	-	-	-	8,727
Maintenance	318	-	318	-	3,210	-	3,210	3,528
Organizational dues	-	-	-	-	-	2,155	2,155	2,155
Lease	936	-	936	-	-	-	-	936
Supplies	8,754	-	8,754	-	-	7,368	7,368	16,122
Printing and publicity	4,369	-	4,369	-	-	110	110	4,479
Telephone	1,680	-	1,680	-	451	2,499	2,950	4,630
Travel and training	2,492	-	2,492	-	-	4,887	4,887	7,379
Mortgage discount	-	-	-	-	-	57,436	57,436	57,436
Miscellaneous	1,501	2,371	3,872	-	-	17,170	17,170	21,042
Totals	<u>\$ 174,526</u>	<u>\$ 12,215</u>	<u>\$ 186,741</u>	<u>\$ 2,904</u>	<u>\$ 4,706</u>	<u>\$ 180,822</u>	<u>\$ 188,432</u>	<u>\$ 375,173</u>

The Notes to Financial Statements are an integral part of this statement.

HELENA AREA HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015 (unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (18,305)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	8,727
Loss on sale of home	39,516
New mortgage discount and adjustments	64,698
Mortgage discount amortized	(10,320)
Change in operating assets and liabilities:	
Accounts receivable	962
Prepaid expenses	(500)
Escrow payments receivable	(1,149)
Home construction in process	87,440
Mortgages receivable	(114,856)
Home held for sale	(7,251)
Accounts payable	582
Escrow account liability	(2,274)
Accrued expenses	<u>13,726</u>
Net cash flows from operating activities	<u>60,996</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(4,908)</u>
Net cash flows from investing activities	<u>(4,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	<u>(9,282)</u>
Net cash flows from financing activities	<u>(9,282)</u>
Net change in cash and cash equivalents	46,806
Cash and cash equivalents, beginning of the year	<u>55,584</u>
Cash and cash equivalents, end of the year	<u><u>\$ 102,390</u></u>
Cash and cash equivalents per statement of financial position:	
Cash and cash equivalents	\$ 82,708
Reserved cash	<u>19,682</u>
Cash and cash equivalents, end of year	<u><u>\$ 102,390</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid for interest	<u>\$ 4,392</u>

The Notes to Financial Statements are an integral part of this statement.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Helena Area Habitat for Humanity (Habitat), of Helena, Montana, was founded in 1992. The organization is affiliated with Habitat for Humanity International, Inc. (Habitat International). Habitat commits to construction and renovation of quality, simple and decent homes, in partnership with income-challenged families in the greater Helena community.

Habitat also operates the ReStore. The mission of ReStore is to support Habitat's construction of homes through the collection and sale of new and used building materials. Habitat receives a significant portion of its annual support from ReStore sales.

Basis of Accounting and Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Accounting Estimates

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

Cash and Cash Equivalents

For the purpose of the cash flow statement, management generally considers all checking and investment cash accounts with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents are deposited at one financial institution and are potentially exposed to concentrations of custodial credit risk. The Organization's bank accounts are subject to \$250,000 coverage by the Federal Deposit Insurance Corporation (FDIC). From time to time, certain accounts that are subject to limited FDIC limits may exceed their insured limits. At June 30, 2015, the Organization had no uninsured cash balances.

Reserved Cash

The Organization currently services the mortgages on some of the homes it builds or renovates. Included in reserved cash are amounts received from homeowners for insurance and property taxes (escrow funds). These amounts are required to be held in separate bank accounts. Reserved cash at June 30, 2015 was \$19,682.

Accounts Receivable

Accounts receivable are stated at unpaid balances. Management considers other receivables to be fully collectible, and thus, no allowance for uncollectible receivables has been recorded.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Habitat determines the fair value of its financial instruments in accordance with GAAP, which requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Habitat's policy for determining the timing of significant transfers between levels is at the end of the reporting period. No such transfers occurred in the year ended June 30, 2015.

Habitat's financial instruments include mortgages receivable. The valuation methodology for these instruments is more fully described in Note 7.

Mortgages Receivable and Related Discount

In pursuit of its mission, Habitat finances homes constructed under its program for partner families, with the homes securing the mortgages. In accordance with GAAP, these interest-free mortgages are discounted using a rate set annually by Habitat International. Each year, a portion of the outstanding mortgage discount is amortized and recognized as revenue to Habitat.

Habitat follows policies and procedures that are consistent with those of Habitat International to work with partner families who are past due on their payment obligations. These include late payment notices with information regarding credit counseling and the potential for foreclosure, imposition of late fees and entering into alternative payment arrangements. As a secured creditor, Habitat does not consider it necessary to provide an allowance for uncollectible balances.

Property and Equipment

The Helena Area Habitat of Humanity records purchased property and equipment at cost. Donated property and equipment is recorded at fair market value on the date it was received. Depreciation expense reflected in the accompanying financial statements in the amount of \$8,727 for 2015, was computed using the straight-line method over the following estimated useful lives:

Building and improvements	5–39 years
Furniture, fixtures and equipment	5–20 years

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

The Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – represents those amounts that are available for use in carrying out the mission of the Organization. The Organization’s policy is to record contributions and grants as unrestricted when it is expected the contributions and grants will be expended in the same year.

Temporarily restricted net assets – represents those amounts that are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Habitat does not have any temporarily restricted net assets at June 30, 2015.

Permanently restricted net assets – represents those amounts that result from contributions from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity. Habitat does not have any permanently restricted net assets at June 30, 2015.

Advertising costs

Advertising costs are expensed in the year incurred. Advertising expense was \$4,479 in 2015.

Income Taxes

Habitat is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income tax is included in the financial statements.

With few exceptions, Habitat is no longer subject to examinations by federal tax authorities for years before 2012.

Construction in Progress

Land acquired for homes along with materials, labor, supplies, services and other costs are recorded as construction in progress assets until expensed at the time of transfer of ownership of a property.

Functional Allocation of Expenses

Indirect expenses have been allocated to program, fundraising, and management and general based on relative utilization in the statements of functional expenses.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ReStore Sales

Sales revenue from ReStore are reported net of discounts and estimated returns.

Subsequent Events

Management has evaluated subsequent events through June 24, 2016, the date which the financial statements were available for distribution.

NOTE 2. FUNDS HELD AT THE MONTANA COMMUNITY FOUNDATION

The Montana Community Foundation held \$22,292 as of June 30, 2015, on behalf of Habitat. The Montana Community Foundation has been granted variance power over these assets. Accordingly, these are assets of the Montana Community Foundation whose earnings are to be used to support Habitat and are reported by Habitat as the earnings are distributed. The assets are not included in the accompanying financial statements. For the year ended June 30, 2015, Habitat received \$930 in distributed earnings and is included in contribution revenue.

NOTE 3. RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets were released from donor restrictions by incurring \$10,100 in expenses satisfying the restricted purpose of construction of homes.

NOTE 4. LONG-TERM DEBT

Habitat had long-term debt at June 30, 2015 as follows:

Notes payable to California State Automobile Association Inter-Insurance Bureau; due in monthly installments of \$1,526 including interest at 3.00% per annum through February 2018; secured by real estate property.	\$ 63,519
Notes payable to The Salvation Army, due in monthly installments at \$1,500, including interest of 5.00% per annum through April 2022; secured by real estate property.	<u>156,574</u> 220,093
Less current portion	<u>(47,079)</u>
	<u>\$ 173,014</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2015

NOTE 4. LONG-TERM DEBT (CONTINUED)

Aggregate maturities of long-term debt for the succeeding five years as of June 30, 2015, are as follows:

2016	\$ 47,079
2017	28,753
2018	23,729
2019	12,252
2020	12,878
Thereafter	<u>95,402</u>
	<u>\$ 220,093</u>

NOTE 5. RELATED PARTY TRANSACTIONS

Habitat interacts with Habitat International in various financial transactions. Habitat tithes a portion of certain general cash contributions to Habitat International for use in global operations. For the year ended June 30, 2015, Habitat tithing expenses were \$2,015.

NOTE 6. CONTRIBUTED SERVICES

Contributed service revenue results when contributions create or enhance non-financial assets or when specialized skills are provided by individuals possessing those skills that would typically need to be purchased if not provided by contribution.

Individuals and organizations contributed hours to assist in the construction of partner homes during the year ended June 30, 2015. These in-kind contributions have not been quantified and therefore are not included in the financial statements.

NOTE 7. MORTGAGES RECEIVABLE (FIRST MORTGAGES) AND DISCOUNT

When Habitat transfers ownership of a home to a partner family, mortgages are created and secured by the home and land. The first mortgage is a note for the cost of building the home with principal payments due monthly. The term of the first mortgage varies depending on the amount of the mortgage and the partner family's ability to pay. These mortgages are interest free and currently have terms ranging from 7 to 40 years with the longest mortgage maturing in June 2040. Monthly payments range from \$130 to \$273.

HELENA AREA HABITAT FOR HUMANITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Year Ended June 30, 2015

NOTE 7. MORTGAGES RECEIVABLE (FIRST MORTGAGES) AND DISCOUNT (CONTINUED)

The first mortgages are valued in the financial statements at fair value. Fair value is determined annually by discounting the face amount of the mortgage using the rate established by Habitat International at the time of the mortgage origination (level 2 input). Discount rates are established each year for sales that occur in that fiscal year. The discount is amortized over the life of each mortgage individually.

In accordance with its policies, no provision for loan losses has been provided because Habitat is a secured creditor and the fair value of the homes exceeds that of the related mortgage note balances.

The following schedule summarizes the payment status of the mortgages receivable at June 30, 2015:

	<u>Number of Loans</u>	<u>Loan Amount</u>
Current	6	\$ 252,774
30 days past due	2	191,973
31-60 days past due	-	-
More than 60 days past due	-	-
	<u>8</u>	<u>\$ 444,747</u>

The following summarizes the activity in the mortgage accounts for the year ended June 30, 2015:

	<u>Due 1 Year</u>	<u>Due 2-26 Years</u>	<u>Discount</u>	<u>Fair Value</u>
Beginning balance July 1, 2014	\$ 22,581	\$ 307,310	\$ (190,560)	\$ 139,331
Adjustment for change in method	-	-	(7,262)	(7,262)
New loan issued	-	131,170	-	131,170
New unamortized discount	-	-	(57,436)	(57,436)
Payments received	-	(16,314)	-	(16,314)
Discount amortized	-	-	10,320	10,320
Adjust for current portion	<u>(3,518)</u>	<u>3,518</u>	<u>-</u>	<u>-</u>
Ending balance June 30, 2015	<u>\$ 19,063</u>	<u>\$ 425,684</u>	<u>\$ (244,938)</u>	<u>\$ 199,809</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Year Ended June 30, 2015

NOTE 8. OTHER MORTGAGES

To provide assistance to families in keeping monthly payments within a required percentage of income, Habitat often takes a second mortgage on a family property at time of closing. Some second mortgages are forgiven over time. Second mortgages come due for payment of the full amount if a home is sold prior to forgiveness, default, transfer of title, refinancing of the first mortgage by a third-party lender, or payment of the first mortgage in full.

None of these supplemental mortgages are reported in the financial statements because collection is uncertain and no estimate of future payments is available. At December 31, 2015, Habitat held second mortgages on eight properties.

NOTE 9. PREPAID MORTGAGE LIABILITY

Families are required to make a down payment of \$500 prior to beginning construction of their home. These payments are recorded as prepaid mortgages and are credited against their first mortgages at time of closing.

NOTE 10. SUBSEQUENT EVENTS

On July 16, 2015, an arson fire occurred at the Helena Area Habitat for Humanity. Insurance subsequently paid Habitat \$373,646 per the insurance policy.

The loan through the Salvation Army has been refinanced with proceeds from a construction loan in the amount of \$214,472 dated March 1, 2016. The loan is secured by real property and matures October 1, 2016. It requires monthly interest only payments at the variable rate based on the Federal Home Loan Bank five-year long-term fixed rate advance index, but not less than 4.375% to a maximum of 8.00%, with the rate currently at the minimum specified rate. Habitat anticipates converting this construction loan to a permanent financing agreement upon the earlier of completion of construction or the loan maturity date.

On May 28, 2016, Habitat sold a house on the open market in the amount of approximately \$211,000.



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