

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, 2019 and 2018



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Helena Area Habitat for Humanity (Habitat) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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 audits 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 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, Habitat adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Anderson Zurmuehlen & Co., P.C.

Helena, Montana
November 13, 2019

FINANCIAL STATEMENTS

HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 100,582	\$ 26,353
Reserved cash	32,666	23,498
Grants receivable	51,694	-
Escrow payments receivable	-	4,456
Mortgages receivable, current portion	13,911	12,800
Promises to give, current portion	18,538	14,250
Other receivable	17,270	9,997
Donated inventory	28,307	-
Purchased inventory	<u>2,368</u>	<u>-</u>
Total current assets	<u>265,336</u>	<u>91,354</u>
PROPERTY AND EQUIPMENT		
Buildings and improvements	1,061,370	457,669
Vehicles	84,766	49,069
Furniture and fixtures	<u>30,481</u>	<u>19,987</u>
	1,176,617	526,725
Less accumulated depreciation	<u>(75,255)</u>	<u>(50,008)</u>
	<u>1,101,362</u>	<u>476,717</u>
OTHER ASSETS		
Home construction in progress	512,528	378,095
Promises to give, net of current portion and discount	45,462	35,457
Mortgages receivable, net of current portion	185,641	213,204
Unamortized mortgage discount	<u>(108,153)</u>	<u>(114,189)</u>
	<u>635,478</u>	<u>512,567</u>
Total assets	<u>\$ 2,002,176</u>	<u>\$ 1,080,638</u>

The Notes to Financial Statements are an integral part of these statements.

HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 44,959	\$ 31,610
Accrued compensated absences	13,523	10,834
Accrued expenses	28,134	6,111
Escrow accounts	6,827	1,042
Funds held in trust	25,839	-
Line of credit	149	-
Notes payable, current portion	<u>17,435</u>	<u>7,436</u>
Total current liabilities	<u>136,866</u>	<u>57,033</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion and loan fee amortization	<u>606,285</u>	<u>188,769</u>
NET ASSETS		
Without donor restrictions	1,193,371	783,678
With donor restrictions	<u>65,654</u>	<u>51,158</u>
Total net assets	<u>1,259,025</u>	<u>834,836</u>
Total liabilities and net assets	<u>\$ 2,002,176</u>	<u>\$ 1,080,638</u>

The Notes to Financial Statements are an integral part of these statements.

HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Contributions	\$ 51,601	\$ 29,495
Grant revenue	696,117	75,479
ReStore sales	279,516	228,802
Critical home repair income	7,758	-
Gain on transfer of completed homes to partner families	-	6,233
Mortgage discount amortization	6,036	6,036
In-kind donation	43,243	4,547
Miscellaneous	4,591	15,840
Recapture of second mortgages	47,210	-
Loss on disposal of equipment	-	(1,003)
Net assets released from restrictions	<u>19,687</u>	<u>90,327</u>
Total unrestricted revenue and support	<u>1,155,759</u>	<u>455,756</u>
EXPENSES		
Program services:		
ReStore	229,977	187,573
Home repair and preservation	-	15,679
Construction and partner family costs	438,064	235,487
Supporting services:		
General and administrative	67,190	227,120
Fundraising	<u>10,835</u>	<u>9,902</u>
Total expenses	<u>746,066</u>	<u>675,761</u>
Change in unrestricted net assets	<u>409,693</u>	<u>(220,005)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Restricted support	34,183	141,485
Net assets with donor restrictions released from restrictions	<u>(19,687)</u>	<u>(90,327)</u>
Change in net assets with donor restrictions	<u>14,496</u>	<u>51,158</u>
Change in net assets	424,189	(168,847)
Net assets, beginning of year	<u>834,836</u>	<u>1,003,683</u>
Net assets, end of year	<u>\$ 1,259,025</u>	<u>\$ 834,836</u>

The Notes to Financial Statements are an integral part of these statements.

HELENA AREA HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services			Supporting Services			Total
	ReStore	Construction and Partner Family Costs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	
EXPENSES							
Salaries	\$ 114,323	\$ 240,510	\$ 354,833	\$ -	\$ 28,688	\$ 28,688	\$ 383,521
Payroll taxes and related benefits	31,032	42,243	73,275	-	5,562	5,562	78,837
Bank fees/credit card service fees	6,959	2,985	9,944	1,703	999	2,702	12,646
Campaign	-	-	-	9,132	-	9,132	9,132
Depreciation	14,650	7,062	21,712	-	3,534	3,534	25,246
In-kind labor and services	13	14,813	14,826	-	110	110	14,936
Insurance	6,995	7,816	14,811	-	-	-	14,811
Interest	7,931	3,996	11,927	-	812	812	12,739
Lease	600	8,822	9,422	-	2,483	2,483	11,905
Maintenance	988	-	988	-	50	50	1,038
Miscellaneous	40	28,670	28,710	-	3,445	3,445	32,155
Organizational dues	-	-	-	-	3,500	3,500	3,500
Printing and publicity	5,038	6,640	11,678	-	3,803	3,803	15,481
Professional fees	-	24,116	24,116	-	-	-	24,116
Supplies	18,384	31,986	50,370	-	6,200	6,200	56,570
Taxes and licenses	5,725	-	5,725	-	(692)	(692)	5,033
Telephone	1,353	5,887	7,240	-	-	-	7,240
Travel and training	390	8,713	9,103	-	8,343	8,343	17,446
Utilities	7,649	2,651	10,300	-	-	-	10,300
Unrecovered construction costs	261	(7,316)	(7,055)	-	-	-	(7,055)
Vehicle	7,646	8,470	16,116	-	353	353	16,469
Totals	<u>\$ 229,977</u>	<u>\$ 438,064</u>	<u>\$ 668,041</u>	<u>\$ 10,835</u>	<u>\$ 67,190</u>	<u>\$ 78,025</u>	<u>\$ 746,066</u>

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, 2018

	Program Services				Supporting Services			Total
	ReStore	Home Repair and Preservation	Construction and Partner Family Costs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	
EXPENSES								
Salaries	\$ 97,850	\$ -	\$ 59,999	\$ 157,849	\$ -	\$ 121,818	\$ 121,818	\$ 279,667
Payroll taxes and related benefits	12,277	-	8,014	20,291	-	24,425	24,425	44,716
Bank fees/credit card service fees	4,462	-	-	4,462	76	336	412	4,874
Campaign	488	-	2,307	2,795	4,585	1,340	5,925	8,720
Depreciation	14,153	-	4,739	18,892	-	3,194	3,194	22,086
In-kind labor and services	-	-	2,464	2,464	-	2,083	2,083	4,547
In-kind partner family grant assistance	-	-	101,484	101,484	-	-	-	101,484
Insurance	14	-	1,983	1,997	-	11,241	11,241	13,238
Interest	9,154	-	-	9,154	-	-	-	9,154
Lease	600	-	-	600	-	10,470	10,470	11,070
Maintenance	4,171	15,679	16,874	36,724	-	-	-	36,724
Miscellaneous	210	-	2,308	2,518	-	(626)	(626)	1,892
Organizational dues	-	-	-	-	-	4,500	4,500	4,500
Printing and publicity	4,814	-	4,375	9,189	-	14,675	14,675	23,864
Professional fees	120	-	-	120	-	15,768	15,768	15,888
Supplies	17,909	-	13,619	31,528	17	10,150	10,167	41,695
Taxes and licenses	1,443	-	7,887	9,330	-	-	-	9,330
Telephone	2,367	-	676	3,043	-	2,560	2,560	5,603
Travel and training	229	-	2,749	2,978	-	3,526	3,526	6,504
Utilities	9,836	-	1,875	11,711	-	1,262	1,262	12,973
Vehicle	7,476	-	4,134	11,610	-	398	398	12,008
Volunteer appreciation	-	-	-	-	5,224	-	5,224	5,224
Totals	<u>\$ 187,573</u>	<u>\$ 15,679</u>	<u>\$ 235,487</u>	<u>\$ 438,739</u>	<u>\$ 9,902</u>	<u>\$ 227,120</u>	<u>\$ 237,022</u>	<u>\$ 675,761</u>

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

HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 424,189	\$ (168,847)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	25,246	22,086
Gain on transfer of homes to partner families	-	(6,233)
Mortgage forgiveness	14,237	-
Loss on disposal of equipment	-	1,003
Donated inventory received	(28,307)	-
In-kind partner family grant assistance	-	101,484
Mortgage discount amortization	(6,036)	(6,036)
Proceeds received for completed partner homes	292,379	-
Proceeds from sale of homes held for resale	-	376,880
Change in operating assets and liabilities:		
Grants receivable	(51,694)	-
Escrow payments receivable	4,456	1,684
Mortgages receivable	12,215	11,950
Promises to give	(14,293)	(49,707)
Other receivable	(7,273)	(7,140)
Purchased inventory	(2,368)	-
Home construction in process	(426,812)	(419,447)
Accounts payable	13,349	25,360
Accrued compensated absences	2,689	10,834
Accrued expenses	22,023	1,316
Escrow accounts liability	5,785	1,042
Funds held in trust	<u>25,839</u>	<u>-</u>
Net cash flows from operating activities	<u>305,624</u>	<u>(103,771)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(649,891)</u>	<u>(14,203)</u>
Net cash flows from investing activities	<u>(649,891)</u>	<u>(14,203)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(38,968)	(6,919)
Proceeds from long term debt	<u>466,632</u>	<u>-</u>
Net cash flows from financing activities	<u>427,664</u>	<u>(6,919)</u>
Net change in cash and cash equivalents	83,397	(124,893)
Cash and cash equivalents, beginning of the year	<u>49,851</u>	<u>174,744</u>
Cash and cash equivalents, end of the year	<u>\$ 133,248</u>	<u>\$ 49,851</u>

The Notes to Financial Statements are an integral part of these statements.

HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents per statement of financial position:		
Cash and cash equivalents	\$ 100,582	\$ 26,353
Reserved cash	<u>32,666</u>	<u>23,498</u>
Cash and cash equivalents, end of year	<u>\$ 133,248</u>	<u>\$ 49,851</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 12,234</u>	<u>\$ 8,931</u>
Property and equipment acquired by debt	<u>\$ 603,700</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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. In addition to home construction, Habitat also operates the Repair and Preservation program as part of its broader community development strategy, the Neighborhood Revitalization Initiative. The Repair and Preservation program helps revitalize the appearance of neighborhoods, strengthen community connections while preserving the affordable housing stock in the Helena area. It is available to qualifying homeowners, dependent on the availability of funding.

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The 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 expenses and investment return. Habitat has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which had no effect on the total change in net assets or total assets previously reported. Certain items in the 2018 financial statements have been reclassified for consistency with the 2019 presentation. The financial statements include a disclosure on liquidity and availability of resources, see Note 2. Habitat has elected the option available under the standard's adoption guidance to omit this disclosure for the year ended June 30, 2018.

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.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Habitat'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, 2019 and 2018, Habitat had no uninsured cash balances.

Reserved Cash

Habitat 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). Escrow funds reserved cash at June 30, 2019 and 2018, was \$6,827 and \$23,498, respectively.

Habitat is currently constructing homes using funds obtained through the USDA Homeownership Direct Loan Program (Section 502). These funds are required to be held in a trust account and are restricted for direct construction costs under the Self-Help program. Partner families approve all expenses made from the account. Trust funds reserved at June 30, 2019 was \$25,839. There were no trust funds held at June 30, 2018.

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.

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.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

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. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. 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 years ended June 30, 2019 and 2018.

Habitat's financial instruments include mortgages receivable. The valuation methodology for these instruments is more fully described in Note 9.

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

Habitat records purchased property and equipment at cost. Donated property and equipment is recorded at fair value on the date it was received. Depreciation expense reflected in the accompanying financial statements in the amount of \$25,246 for 2019, and \$22,086 for 2018, was computed using the straight-line method over the following estimated useful lives:

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

Classification of Net Assets

Contributions received are recorded as without donor restrictions and with donor restrictions depending on the existence and nature of any donor restrictions.

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

Net assets without donor restrictions – represents those amounts that are available for use in carrying out the mission of Habitat. Habitat's policy is to record contributions and grants as without donor restrictions when it is expected the contributions and grants will be expended in the same year.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Net assets with donor restrictions – represents those amounts that are donor restricted for specific purposes or dependent on the passage of time. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions held in perpetuity – 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 did not have any net assets held in perpetuity at June 30, 2019 or 2018.

Advertising costs

Advertising costs are expensed in the year incurred. Advertising expense was \$15,481 and \$23,864 in 2019 and 2018, respectively.

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.

Construction in Progress

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

Inventories

Habitat accepts contributions of used building materials. These contributed materials are reflected as donated inventory in the statement of financial position. Purchased inventory for sale is stated at the lower of cost or net realizable value utilizing the first-in, first-out (FIFO) method.

Functional Allocation of Expenses

Expenses have been allocated to program, fundraising, and general and administrative based on relative utilization in the statement of functional expenses. The 10% de minimis rate has been elected for allocating indirect costs across all areas of Habitat and are also reflected in the statement of functional expenses.

ReStore Sales

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

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that will be collected beyond one year are reported at the present value of the anticipated cash flows using the discount rate established at the date of the pledge. Conditional promises to give are recognized when the specified conditions are satisfied. Promises to give are reviewed periodically to determine their collectability and whether any promises should be charged off. At June 30, 2019 and 2018, substantially all promises to give are considered collectible thus no allowance has been recorded.

NOTE 2. LIQUIDITY AND AVAILABILITY

Management has identified the following assets as of June 30, 2019, as available for general operations in fiscal year 2020:

Cash and cash equivalents	\$ 100,582
Mortgages receivable, current	13,911
Promises to give, current	18,538
Other receivable	17,270
Inventory, donated and purchased	<u>30,675</u>
	<u>\$ 180,976</u>

Financial assets available for general expenditure include those without donor or other restrictions limiting their use within one year of the balance sheet date. In addition, Habitat receives contributions restricted by donors and grantors, and considers those restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Cash balances are routinely monitored in light of projected cash needs and excess balances are transferred to a savings account, where they are managed to provide for short-term liquidity and to grow the funds value over time.

Habitat has a line of credit that is available and could be accessed for unanticipated needs or in the event of cash flow shortages. The line of credit has a \$149 outstanding balance as of June 30, 2019. The line of credit is available up to \$50,000. During fiscal year 2020, Habitat increased the amount of the line of credit to \$100,250.

HELENA AREA HABITAT FOR HUMANITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

NOTE 3. FUNDS HELD AT THE MONTANA COMMUNITY FOUNDATION

The Montana Community Foundation held \$40,496 and \$37,056 as of June 30, 2019 and 2018, respectively, 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 contribution revenue when received. The assets are not included in the accompanying financial statements. For the years ended June 30, 2019 and 2018, Habitat received \$-0- and \$1,035 in distributed earnings, respectively.

NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Grants awarded for construction of homes or projects	\$ 392	\$ -
Promises to give	<u>65,262</u>	<u>51,158</u>
Total	<u>\$ 65,654</u>	<u>\$ 51,158</u>

Net assets were released from restriction for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Grants awarded for construction of homes or projects	\$ 4,608	\$ 73,235
Promises to give	<u>15,079</u>	<u>17,092</u>
Total	<u>\$ 19,687</u>	<u>\$ 90,327</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 5. LONG-TERM DEBT

Habitat had long-term debt at June 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Note payable to Valley Bank, due in monthly installments of \$1,339, including interest of 4.375% per annum through August 2036; secured by real estate property.	\$ 193,132	\$ 200,156
Note payable to Valley Bank, due in monthly installments of \$1,798, including interest of 5.250% per annum through March 2044; secured by real estate property.	298,569	-
Note payable to Montana Board of Housing, due in monthly installments of \$528, including interest of 2% per annum through July 2047; secured by real estate property.	<u>135,747</u>	<u>-</u>
	627,448	200,156
Less unamortized debt issuance costs	<u>(3,728)</u>	<u>(3,951)</u>
	623,720	196,205
Less current portion	<u>(17,435)</u>	<u>(7,436)</u>
Total long-term debt, less current portion and debt issuance costs	<u>\$ 606,285</u>	<u>\$ 188,769</u>

Amortization of the debt issuance costs is reported as interest expense in the statements of activities.

Principal payments required on long-term debt obligations are as follows:

2020	\$ 17,435
2021	17,581
2022	18,991
2023	19,806
2024	20,598
Thereafter	<u>533,037</u>
	<u>\$ 627,448</u>

NOTE 6 LINE OF CREDIT

Habitat has a line of credit with Valley Bank for a maximum of \$50,000 with interest at 6%. The line expires in August 2019. The balance on the line of credit was \$149 and \$-0- at June 30, 2019 and 2018, respectively.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 7. 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 years ended June 30, 2019 and 2018, Habitat's tithing expenses were \$2,000 and \$3,000, respectively.

During the years ended June 30, 2019 and 2018, Habitat received contributions of \$8,575 and \$600, respectively, from various board members.

NOTE 8. CONTRIBUTED SERVICES

Contributed service revenue results under GAAP 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. For the years ended June 30, 2019 and 2018, Habitat's contributed service revenues were \$6,199 and \$2,500, respectively.

Individuals and organizations contributed hours to assist in the construction of partner homes during the years ended June 30, 2019 and 2018. These in-kind contributions do not meet GAAP standards for recognition and therefore are not included in the financial statements.

NOTE 9. MORTGAGES RECEIVABLE (FIRST MORTGAGES), DISCOUNT AND SUPPLEMENTAL MORTGAGES

When Habitat transfers ownership of a home to a partner family, Habitat may finance the purchase by a partner family at the home's appraised value, or may assist the family in applying for a traditional mortgage with a local financial institution. The first mortgage is a note for the cost of building the home with payments due monthly. The terms of the first mortgage vary depending on the amount of the mortgage and the partner family's ability to pay and are secured by the home and land. Mortgages held by Habitat are interest free and currently have terms ranging from 4 to 35 years with the longest mortgage maturing in October 2054. Monthly payments range from \$375 to \$600.

The first mortgages held by Habitat 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.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 9. MORTGAGES RECEIVABLE (FIRST MORTGAGES), DISCOUNT AND SUPPLEMENTAL MORTGAGES (CONTINUED)

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 the time of closing, whether the mortgage is held by Habitat or another lender. The second mortgage serves to fill the gap between the appraised value of the home and the first mortgage balance as determined based on the family's ability to pay. Some second mortgages are forgiven over time.

Second mortgages come due for payment in full if a home is sold prior to forgiveness, default, transfer of title, refinancing of the first mortgage by a third-party lender (if a Habitat-financed mortgage), or payment of the first mortgage in full. Second mortgages are reported as in-kind partner family assistance grants and are considered a program expense by Habitat. For the year ended June 30, 2019, Habitat did not provide in-kind partner family grants. For the year ended June 30, 2018, Habitat provided in-kind partner family grants of \$101,484, to three families.

None of these supplemental mortgages are reported in the financial statements because collection is uncertain and no estimate of future payments is available. At June 30, 2019 and 2018, Habitat held second mortgages on five and eight properties, respectively.

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:

	2019		2018	
	Number of Loans	Loan Amount	Number of Loans	Loan Amount
Current	5	\$ 199,552	5	\$ 226,004
30 days past due	-	-	-	-
31-60 days past due	-	-	-	-
More than 60 days past due	-	-	-	-
	5	\$ 199,552	5	\$ 226,004

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 9. MORTGAGES RECEIVABLE (FIRST MORTGAGES), DISCOUNT AND SUPPLEMENTAL MORTGAGES (CONTINUED)

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

	<u>Due 1 Year</u>	<u>Due 2-25 Years</u>	<u>Discount</u>	<u>Fair Value</u>
Beginning balance July 1, 2018	\$ 12,800	\$ 213,204	\$ (114,189)	\$ 111,815
Payments received	(12,215)	-	-	(12,215)
Transfer to current	13,326	(13,326)	-	-
Loan delinquency forgiven	-	(14,237)	-	(14,237)
Discount amortized	-	-	6,036	6,036
Ending balance June 30, 2019	<u>\$ 13,911</u>	<u>\$ 185,641</u>	<u>\$ (108,153)</u>	<u>\$ 91,399</u>
	<u>Due 1 Year</u>	<u>Due 2-26 Years</u>	<u>Discount</u>	<u>Fair Value</u>
Beginning balance July 1, 2017	\$ 19,309	\$ 218,645	\$ (120,225)	\$ 117,729
Payments received	(11,950)	-	-	(11,950)
Transfer to current	5,441	(5,441)	-	-
Discount amortized	-	-	6,036	6,036
Ending balance June 30, 2018	<u>\$ 12,800</u>	<u>\$ 213,204</u>	<u>\$ (114,189)</u>	<u>\$ 111,815</u>

NOTE 10. PREPAID MORTGAGE LIABILITY

Families are required to make a down payment of \$500 to Rural Development prior to beginning construction of their home. These payments are recorded as prepaid mortgages and are credited against their first mortgages at the time of closing with Rural Development. At June 30, 2019 and 2018, Habitat had five and six homes in progress at year end, respectively.

HELENA AREA HABITAT FOR HUMANITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

NOTE 11. PROMISES TO GIVE

Unconditional promises to give are as follows:

Unconditional promises to give before unamortized discount	\$ 65,263
Less: unamortized discount	<u>(1,263)</u>
Net unconditional promises to give	64,000
Less: current portion	<u>(18,538)</u>
Long-term	<u><u>\$ 45,462</u></u>

Amounts due in:

2020	\$ 18,538
2021	18,025
2022	15,200
2023	11,700
2024	<u>1,800</u>
Total	<u><u>\$ 65,263</u></u>

The discount rate used was 1.38% at June 30, 2019 and 2018.

Habitat was awarded a federal grant from Rural Development in the amount of \$389,004 in April 2018 to assist twelve homeowners in Lewis and Clark County through Habitat's Self-Help program. This grant is considered a conditional promise to give. Revenue is recognized when grant conditions are met, by incurring allowable expenditures for the specified purpose and in compliance with all grant conditions, within the two year grant period. At June 30, 2019 and 2018, approximately \$273,879 and \$20,000, respectively, of the grant had been earned. At June 30, 2019 and 2018, \$115,125 and \$369,004, respectively, was available to be expended by April 10, 2020.

NOTE 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 13, 2019, the date the financial statements were available for issue. Management has determined the following subsequent events warrant additional disclosure.

In August 2019, Habitat increased the amount of the line of credit to \$100,250 and extended the date to mature in August 2020. There was no balance outstanding as of the date these financial statements were available for issue.

Habitat acquired three new lots for construction of partner family homes in August 2019 at a total cost of \$120,000.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2019 and 2018

NOTE 12. SUBSEQUENT EVENTS (CONTINUED)

On August 9, 2019, Habitat closed on a home sale and received proceeds of \$173,220.

In September 2019, three families received 502 loan funds which were deposited into the Reserved Cash Trust account for a total of \$403,760. Of these loan funds, \$294,108 was reimbursed to Habitat for construction costs to this point.



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