

**Comal County
Habitat for Humanity**

Financial Statements

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Comal County Habitat for Humanity

I have audited the accompanying financial statements of Comal County Habitat for Humanity (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and 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


My responsibility is to, express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Comal County Habitat for Humanity as of June 30, 2017, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.


December 6, 2017

Comal County Habitat for Humanity
Statement of Financial Position
As of June 30, 2017

Assets:	
Cash and Cash Equivalents	\$ 286,289
Accounts Receivable	8,278
Restore Inventory	82,509
Property and Equipment, Net	446,151
Mortgage Receivables, Net	615,409
Construction in Progress	217,069
Land Held for Development	6,594
	<u>\$ 1,662,299</u>
Total Assets	
 Liabilities & Net Assets	
Liabilities:	
Accounts Payable	\$ 24,770
Accrued Expenses	14,945
Homeowner Escrow	41,957
Notes Payable	5,209
	<u>86,881</u>
Total Liabilities	
 Net Assets:	
Temporarily Restricted	-
Unrestricted	1,575,418
	<u>1,575,418</u>
Total Liabilities and Net Assets	<u>\$ 1,662,299</u>

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

**Comal County Habitat for Humanity
Statement of Activities
Year Ended June 30, 2017**

Revenues:	
Contributions and other:	
Contributions	\$ 130,998
Grants	90,060
Mortgage Discount Amortization	48,454
Fundraising	67,161
Other Revenue	<u>29,829</u>
Total Contributions and Other	<u>366,502</u>
ReStore Revenues:	
In-Kind Contributions of Inventory	328,252
ReStore Sales of Donated Inventory	328,252
Donated Inventory Expense	(328,252)
Donated Inventory	(5,617)
ReStore Sales of Purchased Inventory	62,021
ReStore Cost of Goods Sold	<u>(37,594)</u>
Total ReStore Revenues, Net	<u>347,062</u>
Housing Sales	<u>52,080</u>
Total Revenues	<u>765,644</u>
Expenses:	
Housing Program	346,027
ReStore Program	175,056
Fundraising	82,306
General and Administrative	<u>61,234</u>
Total Expenses	<u>664,623</u>
Change in Net Assets	101,021
Net Assets, Beginning of Year	<u>1,474,397</u>
Net Assets, End of Year	<u><u>\$ 1,575,418</u></u>

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

**Comal County Habitat for Humanity
Statement of Functional Expenses
Year Ended June 30, 2017**

	<u>Housing Program</u>	<u>Restore</u>	<u>Fundraising</u>	<u>General & Admin.</u>	<u>Total</u>
Cost of Construction	\$ 92,293	-	-	-	\$ 92,293
Habitat for Humanity Tithe	5,004	-	-	-	5,004
US-SOSI	7,500	-	-	-	7,500
Personnel Expenses	128,999	115,420	71,289	23,763	339,471
Vehicles	364	5,410	-	-	5,774
Professional	-	-	-	8,136	8,136
Risk Management and Safety	6,242	11,361	-	3,130	20,733
Facilities	26,212	16,330	-	13,145	55,687
Admin./Operations	43,179	13,184	-	4,481	60,844
Marketing	11,384	1,568	-	3,794	16,746
Volunteers and Families	9,961	488	-	-	10,449
Travel	5,125	-	-	1,705	6,830
Staff and Board Support	3,891	175	-	1,297	5,363
Interest Expense	-	419	-	-	419
Depreciation	5,351	10,701	-	1,783	17,835
Fundraiser	-	-	11,017	-	11,017
Women Build Program	522	-	-	-	522
Total Expenses	\$ 346,027	175,056	82,306	61,234	\$ 664,623

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

Comal County Habitat for Humanity
Statement of Cash Flows
Year Ended June 30, 2017

Operating Activities:	
Change in net assets	\$ 101,021
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	17,835
Mortgage discount amortization	(48,454)
Gain on sale of mortgage receivables	(13,133)
(Increase) decrease in accounts receivable	(7,427)
(Increase) decrease in inventory	5,617
(Increase) decrease in construction in progress	(153,730)
Land held for future development	(6,594)
Increase (decrease) in accounts payable	3,820
Increase (decrease) in accrued expenses	4,843
Increase (decrease) in deferred income	(17,618)
Increase (decrease) in homeowner escrow	8,836
Net cash provided (used) by operating activities	<u>(104,984)</u>
Investing Activities:	
Payments for fixed assets	(45,254)
New mortgage note issued	(52,080)
Principal payments of mortgage receivables	89,388
Sale of mortgage receivables	61,223
Net cash provided (used) by investing activities	<u>53,277</u>
Financing Activities:	
Principal repayments on notes payable	<u>(6,682)</u>
Net cash provided (used) by financing activities	<u>(6,682)</u>
Increase (Decrease) in cash & cash equivalents	(58,389)
Cash and cash equivalents at beginning of year	<u>344,678</u>
Cash and cash equivalents at end of year	<u><u>\$ 286,289</u></u>

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

Comal County Habitat for Humanity
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies

Organization

Comal County Habitat for Humanity (Habitat) is a nonprofit that works with disadvantaged families of the community by constructing and providing simple, decent, and affordable housing in Comal County, Texas. Families selected (must be in the 30-75% AMI income range) for a Habitat constructed home must provide 350 hours "sweat equity" on their home or on another Habitat project to complete their eligibility. Upon moving into the home, the family begins paying for the house under the terms of a 20-year to 30-year, interest free financing arrangement (see Note 2). The sales price of each home is determined by the fair market value of the home.

Habitat also operates a ReStore. The ReStore consists of one store selling new and used building materials. New, donated, and salvaged building materials are sold to the public at a reduced cost. The proceeds of the sales provides funding for Habitat's missions.

Mission Statement

Habitat is an ecumenical, Christian organization seeking to put God's love into action by bringing people together to build homes, communities and hope.

Financial Reporting and Financial Statement Presentation

In compliance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, Habitat reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. Temporarily restricted net assets are the result of contributions with donor-imposed restrictions that permit the contribution to be expended only as specified and are satisfied either by the passage of time or by actions of the organization. All net assets that are not temporarily restricted are considered to be unrestricted.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Comal County Habitat for Humanity
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Contributions

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, Habitat records contributions received as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

Donated Goods and Services

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as contributions and expenses of a like amount. The value of the time of unpaid (unskilled) volunteers who have donated significant time to building Habitat homes and performing certain administrative functions is not reflected in these financial statements because it does not meet the accounting requirements of SFAS No. 116.

Tax Status

Habitat is exempt from federal income taxes pursuant to provisions of Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of the financial statements on the accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered cash equivalents for cash flow purposes.

Restore Inventory

Restore inventory consists primarily of donated building materials and purchased materials available for sale. Donated inventory is recorded as in-kind contributions of inventory at fair value when received based on estimated sales volume. Purchased inventory is stated at the lower of cost or market. As donated inventory is sold, Habitat records donated inventory expense.

Comal County Habitat for Humanity
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Mortgages Receivable

In accordance with Accounting Principles Board Opinion (APB) 21, *Interest on Receivables and Payables*, Habitat imputes interest on its mortgages receivable which carry a zero percent stated interest rate. The value of the Habitat house given in exchange for the mortgage note is deemed to be the present value of all future mortgage principal payments using the effective mortgage interest rate at the time of issuance. The difference between the face amount of the note and its present value is accounted for as a discount, recorded on the statement of financial position as a contra account to mortgages receivable, and amortized over the life of the mortgage.

Mortgage Discount Amortization

Mortgage discount amortization is recorded on the statements of financial position as a contra account to mortgages receivable, and amortized over the life of the note. Mortgages are discounted at rates varying from 5% to 8%.

Allowance for Uncollectible Accounts

Habitat considers all notes receivable either fully collectible, or if not fully collectible, that the value of the homes collateralizing the notes exceeds the unpaid amount of the related receivable. Accordingly, no allowance for uncollectible accounts is included in Habitat's financial statements.

Land Held for Future Development

Land held for future development and homes under construction or held for sale are recorded at cost, which is equal to or less than estimated future sales prices. Cost includes land acquisition and other related development costs.

Construction in Progress

Construction in progress represents home construction and land costs incurred on incomplete homes in progress not yet conveyed to the recipient family. Construction in progress is expensed to cost of construction when the home is transferred to the recipient family.

Property and Equipment

Habitat capitalizes property and equipment having an estimated useful life of more than 1 year and a cost of \$500 or more. Purchased property and equipment is stated at cost; donated property and equipment is recorded at fair value at the date of the gift. Depreciation is calculated on the straight-line method over the estimated useful lives of the depreciable assets, which range from 5 to 39 years.

Comal County Habitat for Humanity
Notes to Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (continued)

Homeowner Escrow

Homeowner escrow funds are escrow funds collected from homeowners for payment of their property taxes and homeowner's insurance. These custodial funds are held in a fiduciary capacity by Habitat.

Date of Management's Review

Subsequent events have been evaluated through December 6, 2017, which is the date the financial statements were available to be issued.

Note 2: Mortgage Notes Receivable

The financing arrangement for the sale of Habitat homes is interest-free and payable over 20 to 30 years. For financial accounting purposes, the financial arrangement is treated as a single transaction and is accounted for as a sale at inception of the arrangement.

Mortgage notes receivable at June 30, 2017 are summarized as follows:

	Total
Mortgage notes receivable	\$ 1,035,425
Less: Unamortized discount	420,016
	\$ 615,409

Note 3: Restore Inventory

Restore inventory consisted of the following at June 30, 2017:

Donated Goods	\$ 81,299
Purchased Materials	1,210
	\$ 82,509

Note 4: Property and Equipment

Property and equipment at June 30, 2017 consists of the following:

	Total
Building, improvements, and land	\$ 500,204
Equipment and vehicles	104,483
Accumulated depreciation	(158,536)
Total	\$ 446,151

Comal County Habitat for Humanity
Notes to Financial Statements
June 30, 2017

Note 5: Notes Payable

Notes payable at June 30, 2017 consists of the following:

	<u>Total</u>
Bank note at 6.5% payable in monthly installments of \$622, including principal and interest, secured by real estate	<u>\$ 5,209</u>

Estimated future principal payments on debt are:

2018	<u>5,209</u>
Total	<u>\$ 5,209</u>