

**Comal County
Habitat for Humanity
Financial Statements
June 30, 2018**

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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, 2018, 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, 2018, 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.



January 15, 2019

Comal County Habitat for Humanity
Statement of Financial Position
As of June 30, 2018

Assets:	
Cash and Cash Equivalents	\$ 261,051
Accounts Receivable	1,536
Unconditional Promises to Give	120,115
Restore Inventory	86,171
Property and Equipment, Net	435,554
Mortgage Receivables, Net	699,251
Construction in Progress	233,529
Land Held for Development	6,694
Other Assets	<u>2,670</u>
 Total Assets	 <u><u>\$ 1,846,571</u></u>
 Liabilities & Net Assets	
Liabilities:	
Accounts Payable	\$ 11,309
Accrued Expenses	16,842
Homeowner Escrow	<u>42,778</u>
 Total Liabilities	 <u>70,929</u>
 Net Assets:	
Temporarily Restricted	120,115
Unrestricted	<u>1,655,527</u>
	<u><u>1,775,642</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,846,571</u></u>

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

**Comal County Habitat for Humanity
Statement of Activities
Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporaly Restricted</u>	<u>Total</u>
Revenues:			
Contributions and other:			
Contributions	\$ 249,792	\$ -	\$ 249,792
Grants	62,790	158,500	221,290
Mortgage Discount Amortization	51,439	-	51,439
Fundraising	54,538	-	54,538
Other Revenue	9,333	-	9,333
Net Assets Released from Restrictions	38,385	(38,385)	-
	<u>466,277</u>	<u>120,115</u>	<u>586,392</u>
Total Contributions and Other			
ReStore Revenues:			
In-Kind Contributions of Inventory	367,660	-	367,660
ReStore Sales of Donated Inventory	367,660	-	367,660
Donated Inventory Expense	(367,660)	-	(367,660)
Donated Inventory	3,663	-	3,663
ReStore Sales of Purchased Inventory	38,098	-	38,098
ReStore Cost of Goods Sold	(27,226)	-	(27,226)
	<u>382,195</u>	<u>-</u>	<u>382,195</u>
Total ReStore Revenues, Net			
Housing Sales	<u>172,649</u>	<u>-</u>	<u>172,649</u>
			-
Total Revenues	<u>1,021,121</u>	<u>120,115</u>	<u>1,141,236</u>
Expenses:			-
Housing Program	548,331	-	548,331
ReStore Program	236,645	-	236,645
Fundraising	86,697	-	86,697
General and Administrative	69,339	-	69,339
	<u>941,012</u>	<u>-</u>	<u>941,012</u>
Total Expenses			
Change in Net Assets	80,109	120,115	200,224
Net Assets, Beginning of Year	<u>1,575,418</u>	<u>-</u>	<u>1,575,418</u>
Net Assets, End of Year	<u>\$ 1,655,527</u>	<u>\$ 120,115</u>	<u>\$ 1,775,642</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, 2018**

	Housing Program	Restore	Fundraising	General & Admin.	Total
Cost of Construction	\$ 322,671	-	-	-	\$ 322,671
Habitat for Humanity Tithe	459	-	-	-	459
US-SOSI	7,500	-	-	-	7,500
Personnel Expenses	125,912	166,529	81,234	32,493	406,168
Vehicles	3,277	10,997	-	-	14,274
Professional	-	-	-	8,450	8,450
Risk Management and Safety	10,866	5,730	-	5,435	22,031
Facilities	17,040	22,243	-	8,521	47,804
Admin./Operations	14,520	11,892	-	4,840	31,252
Marketing	17,758	3,377	-	5,919	27,054
Volunteers and Families	16,838	264	-	-	17,102
Travel	277	-	-	92	369
Staff and Board Support	3,363	700	-	1,121	5,184
Interest Expense	-	106	-	-	106
Depreciation	7,403	14,807	-	2,468	24,678
Fundraiser	-	-	5,463	-	5,463
Women Build Program	447	-	-	-	447
Total Expenses	\$ 548,331	236,645	86,697	69,339	\$ 941,012

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

Comal County Habitat for Humanity
Statement of Cash Flows
Year Ended June 30, 2018

Operating Activities:	
Change in net assets	\$ 200,224
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	24,678
Mortgage discount amortization	(51,439)
(Increase) decrease in accounts receivable	6,742
(Increase) decrease in unconditional promises to give	(120,115)
(Increase) decrease in inventory	(3,662)
(Increase) decrease in construction in progress	(16,460)
Land held for future development	(100)
(Increase) decrease in other assets	(2,670)
Increase (decrease) in accounts payable	(13,461)
Increase (decrease) in accrued expenses	1,897
Increase (decrease) in homeowner escrow	821
Net cash provided (used) by operating activities	26,455
Investing Activities:	
Payments for fixed assets	(14,081)
New mortgage notes issued	(124,399)
Principal payments of mortgage receivables	91,996
Net cash provided (used) by investing activities	(46,484)
Financing Activities:	
Principal repayments on notes payable	(5,209)
Net cash provided (used) by financing activities	(5,209)
Increase (Decrease) in cash & cash equivalents	(25,238)
Cash and cash equivalents at beginning of year	286,289
Cash and cash equivalents at end of year	\$ 261,051

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

Comal County Habitat for Humanity
Notes to Financial Statements
June 30, 2018

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.

Unconditional promises to give are restricted to land purchases and land closing costs.

Comal County Habitat for Humanity
Notes to Financial Statements
June 30, 2018

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, 2018

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, 2018

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.

Functional Allocation of Expenses

The cost of providing the services and other activities are summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Date of Management's Review

Subsequent events have been evaluated through January 15, 2019, 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, 2018 are summarized as follows:

	Total
Mortgage notes receivable	\$ 1,226,713
Less: Unamortized discount	(527,462)
	\$ 699,251

Note 3: Restore Inventory

Restore inventory consisted of the following at June 30, 2018:

Donated Goods	\$ 84,961
Purchased Materials	1,210
	\$ 86,171

Note 4: Property and Equipment

Property and equipment at June 30, 2018 consists of the following:

	Total
Building, improvements, and land	\$ 514,285
Equipment and vehicles	104,483
Accumulated depreciation	(183,214)
Total	\$ 435,554

JIM ROBERTSON, CPA
391 Landa Street
New Braunfels, TX 78130
(830) 625-6073

January 15, 2019

To the Board of Directors
Comal County Habitat for Humanity

I have audited the financial statements of Comal County Habitat for Humanity for the year ended June 30, 2018, and have issued my report thereon dated January 15, 2019. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Comal County Habitat for Humanity are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated January 15, 2019.

Management Consultations with Other Independent Accountants


In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board of Directors and management of Comal County Habitat for Humanity and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Jim Robertson, CPA

COMAL COUNTY HABITAT FOR HUMANITY

REPRESENTATION LETTER

January 15, 2019

Jim Robertson, CPA
391 Landa Street
New Braunfels, TX 78130

This representation letter is provided in connection with your audit of the financial statements of the Comal County Habitat for Humanity which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 15, 2019, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter
2. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP required adjustment or disclosure have been adjusted or disclosed.
7. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

19. The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
20. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
21. The Organization is an exempt organization under Section 501 (C) (3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
22. In regard to the preparation of the 990 tax returns and preparation of financial statements and footnote services performed by you, we have -
 - a. Assumed all management responsibilities
 - b. Designated the Executive Director who has suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.

Signature: _____

Signature: _____

Title: _____

Title: _____