

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, 2016 and 2015



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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, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Prior Year Statements of Activities, Functional Expenses and Cash Flows

The statements of activities, functional expenses and cash flows for the year ended June 30, 2015, 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.

Anderson Zurmuehlen & Co., P.C.

Helena, Montana

May 1, 2017

FINANCIAL STATEMENTS

HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 158,138	\$ 82,708
Reserved cash	19,137	19,682
Insurance proceeds receivable	39,410	-
Prepaid mortgage liability	-	500
Escrow payments receivable	5,616	8,594
Current portion of mortgages receivable	<u>19,063</u>	<u>19,063</u>
Total current assets	<u>241,364</u>	<u>130,547</u>
PROPERTY AND EQUIPMENT		
Buildings and improvements	456,671	200,000
Vehicles	27,874	-
Furniture and fixtures	<u>10,385</u>	<u>35,309</u>
	494,930	235,309
Less accumulated depreciation	<u>(9,714)</u>	<u>(49,379)</u>
	<u>485,216</u>	<u>185,930</u>
OTHER ASSETS		
Home held for resale	-	60,396
Home construction in progress	154,355	113,358
Mortgages receivable, net of current portion	405,485	425,684
Unamortized mortgage discount	<u>(234,078)</u>	<u>(244,938)</u>
	<u>325,762</u>	<u>354,500</u>
Total assets	<u>\$ 1,052,342</u>	<u>\$ 670,977</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,422	\$ 4,090
Accrued expenses	17,589	17,989
Escrow accounts	2,594	1,842
Current portion, long-term debt	<u>23,230</u>	<u>47,079</u>
Total current liabilities	<u>45,835</u>	<u>71,000</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>239,003</u>	<u>173,014</u>
NET ASSETS		
Unrestricted	752,504	426,963
Temporarily restricted	<u>15,000</u>	<u>-</u>
Total net assets	<u>767,504</u>	<u>426,963</u>
Total liabilities and net assets	<u>\$ 1,052,342</u>	<u>\$ 670,977</u>

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

HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 (audited) and 2015 (compiled)

	2016 <u>(audited)</u>	2015 <u>(compiled)</u>
UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Contributions	\$ 42,657	\$ 64,168
Grant revenue	40,000	41,500
ReStore sales, net	129,034	249,479
Other program income	1,750	33,430
Gain (loss) on sale of home	62,034	(39,516)
Mortgage discount amortization	10,860	-
In-kind donation	8,900	4,541
Miscellaneous	12,308	3,266
Net recovery on fire loss	193,906	-
Insurance recovery-loss of business	133,912	-
Gain on sale of equipment	3,781	-
Net assets released from restrictions	<u>-</u>	<u>10,100</u>
Total unrestricted revenue and support	<u>639,142</u>	<u>366,968</u>
EXPENSES		
Program services:		
ReStore	154,869	174,526
Construction and Partner Family costs	10,050	12,215
Supporting services:		
General and administrative	146,019	185,528
Fundraising	<u>2,663</u>	<u>2,904</u>
Total expenses	<u>313,601</u>	<u>375,173</u>
Change in unrestricted net assets	<u>325,541</u>	<u>(8,205)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted support	15,000	-
Temporarily restricted net assets released from restrictions	<u>-</u>	<u>(10,100)</u>
Change in temporarily restricted net assets	<u>15,000</u>	<u>(10,100)</u>
Change in net assets	340,541	(18,305)
Net assets, beginning of year	<u>426,963</u>	<u>445,268</u>
Net assets, end of year	<u>\$ 767,504</u>	<u>\$ 426,963</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, 2016

	Program Services			Supporting Services			Total
	ReStore	Construction and Partner Family Costs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	
EXPENSES							
Salaries	\$ 74,372	\$ 1,286	\$ 75,658	\$ -	\$ 69,762	\$ 69,762	\$ 145,420
Payroll taxes and related benefits	18,212	100	18,312	-	21,199	21,199	39,511
Bank fees/credit card service fees	-	-	-	48	254	302	302
Campaign	-	-	-	2,574	-	2,574	2,574
Depreciation	4,607	-	4,607	-	2,332	2,332	6,939
Insurance	4,809	1,171	5,980	-	6,101	6,101	12,081
Interest	-	-	-	-	6,424	6,424	6,424
Lease	20,500	-	20,500	-	6,210	6,210	26,710
Maintenance	6,468	710	7,178	-	5,195	5,195	12,373
Miscellaneous	340	1,032	1,372	-	229	229	1,601
Organizational dues	4	-	4	-	2,657	2,657	2,661
Printing and publicity	1,992	-	1,992	35	2,981	3,016	5,008
Professional fees	2,039	40	2,079	-	8,250	8,250	10,329
Supplies	9,054	250	9,304	-	4,754	4,754	14,058
Taxes and licenses	589	2,397	2,986	-	40	40	3,026
Telephone	2,081	30	2,111	-	2,643	2,643	4,754
Travel and training	538	-	538	6	6,502	6,508	7,046
Utilities	7,154	3,034	10,188	-	56	56	10,244
Volunteer appreciation	2,110	-	2,110	-	430	430	2,540
Totals	<u>\$ 154,869</u>	<u>\$ 10,050</u>	<u>\$ 164,919</u>	<u>\$ 2,663</u>	<u>\$ 146,019</u>	<u>\$ 148,682</u>	<u>\$ 313,601</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, 2015 (compiled)

	Program Services			Supporting Services			Total
	ReStore	Construction and Partner Family Costs	Total Program Services	Fundraising	General and Administrative	Total Supporting 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
Bank fees/credit card service fees	3,140	-	3,140	-	451	451	3,591
Campaign	-	-	-	2,523	-	2,523	2,523
Contracted services	-	1,332	1,332	-	8,126	8,126	9,458
Depreciation	8,727	-	8,727	-	-	-	8,727
Insurance	3,052	1,519	4,571	-	1,344	1,344	5,915
Interest	-	-	-	-	14,338	14,338	14,338
Lease	936	-	936	-	-	-	936
Maintenance	318	-	318	-	3,210	3,210	3,528
Miscellaneous	1,501	2,371	3,872	-	17,170	17,170	21,042
Mortgage discount	-	-	-	-	57,436	57,436	57,436
Organizational dues	-	-	-	-	2,155	2,155	2,155
Printing and publicity	4,369	-	4,369	-	110	110	4,479
Professional fees	-	-	-	-	5,060	5,060	5,060
Supplies	8,754	-	8,754	-	7,368	7,368	16,122
Telephone	1,680	-	1,680	-	2,950	2,950	4,630
Travel and training	2,492	-	2,492	-	4,887	4,887	7,379
Utilities	11,792	-	11,792	-	6,235	6,235	18,027
Volunteer appreciation	-	-	-	381	-	381	381
Totals	<u>\$ 174,526</u>	<u>\$ 12,215</u>	<u>\$ 186,741</u>	<u>\$ 2,904</u>	<u>\$ 185,528</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
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 (audited) and 2015 (compiled)

	2016 <u>(audited)</u>	2015 <u>(compiled)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 340,541	\$ (18,305)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	6,939	8,727
(Gain) loss on sale of home	(62,034)	39,516
Gain on sale of equipment	(3,781)	
Net recovery on fire loss	(193,906)	-
New mortgage discount and adjustments	-	64,698
Mortgage discount amortization	(10,860)	(10,320)
Change in operating assets and liabilities:		
Accounts receivable	-	962
Prepaid expenses	500	(500)
Escrow payments receivable	2,978	(1,149)
Home construction in process	(40,997)	87,440
Mortgages receivable	20,199	(114,856)
Home held for sale	60,396	(7,251)
Accounts payable	(1,668)	582
Escrow accounts liability	752	(2,274)
Accrued expenses	<u>(400)</u>	<u>13,726</u>
Net cash flows from operating activities	<u>118,659</u>	<u>60,996</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from building insurance recovery	299,734	-
Proceeds from sale of home	62,034	-
Proceeds from sale of equipment	6,800	-
Purchase of property and equipment	<u>(454,482)</u>	<u>(4,908)</u>
Net cash flows from investing activities	<u>(85,914)</u>	<u>(4,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(22,313)	(9,282)
Net proceeds from refinance of long term debt	<u>64,453</u>	<u>-</u>
Net cash flows from financing activities	<u>42,140</u>	<u>(9,282)</u>
Net change in cash and cash equivalents	74,885	46,806
Cash and cash equivalents, beginning of the year	<u>102,390</u>	<u>55,584</u>
Cash and cash equivalents, end of the year	<u>\$ 177,275</u>	<u>\$ 102,390</u>

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

HELENA AREA HABITAT FOR HUMANITY
 STATEMENTS OF CASH FLOWS (CONTINUED)
 For the Years Ended June 30, 2016 (audited) and 2015 (compiled)

	2016 <u>(audited)</u>	2015 <u>(compiled)</u>
Cash and cash equivalents per statement of financial position:		
Cash and cash equivalents	\$ 158,138	\$ 82,708
Reserved cash	<u>19,137</u>	<u>19,682</u>
Cash and cash equivalents, end of year	<u>\$ 177,275</u>	<u>\$ 102,390</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 6,349</u>	<u>\$ 4,342</u>
Debt refinanced	<u>\$ 149,694</u>	<u>\$ -</u>

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

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2016 and 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. 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, 2016 and 2015, 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). These amounts are required to be held in separate bank accounts. Reserved cash at June 30, 2016 and 2015 was \$19,137 and \$19,682, respectively.

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)
Years Ended June 30, 2016 and 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 years ended June 30, 2016 and 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

Habitat 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 \$6,939 for 2016, and \$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 vehicles	5–20 years

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2016 and 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.

Habitat 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 Habitat. Habitat’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.

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 did not have any permanently restricted net assets at June 30, 2016 and 2015.

Advertising costs

Advertising costs are expensed in the year incurred. Advertising expense was \$5,008 and \$4,479 in 2016 and 2015, 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 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 general and administrative based on relative utilization in the statements of functional expenses.

ReStore Sales

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

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2016 and 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain items in the prior year financial statements were reclassified to conform to the current year presentation. There was no change to previously reported net assets or change in net assets as a result of these reclassifications.

NOTE 2. FUNDS HELD AT THE MONTANA COMMUNITY FOUNDATION

The Montana Community Foundation held \$21,606 and \$22,292 as of June 30, 2016 and 2015, 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, 2016 and 2015, Habitat received \$972 and \$930 in distributed earnings.

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016, Habitat received temporarily restricted net assets in the amount of \$15,000.

Temporarily restricted net assets in the amount of \$10,100 were released from restrictions during the year ended June 30, 2015 upon satisfaction of donor restrictions. No temporarily restricted net assets were released from restrictions in the year ended June 30, 2016.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2016 and 2015

NOTE 4. LONG-TERM DEBT

Habitat had long-term debt at June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Note 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.	\$ 52,483	\$ 63,519
Note payable to The Salvation Army, due in monthly installments of \$1,500, including interest of 5.00% per annum through April 2022; secured by real estate property.	-	156,574
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.	<u>214,147</u>	<u>-</u>
	266,630	220,093
Less unamortized debt issuance costs	(4,397)	-
Less current portion	<u>(23,230)</u>	<u>(47,079)</u>
Total long-term debt, less current portion and debt issuance costs	<u>\$ 239,003</u>	<u>\$ 173,014</u>

In 2016, Habitat adopted the requirements of FASB ASC 835-30 to present debt issuance as a reduction of the carrying amount of the debt rather than an asset. Amortization of the debt issuance costs is reported as interest expense on the statement of activities.

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

2017	\$ 23,230
2018	24,607
2019	25,457
2020	7,754
2021	8,127
Thereafter	<u>177,455</u>
	<u>\$ 266,630</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 years ended June 30, 2016 and 2015, Habitat's tithing expenses were \$1,500 and \$2,015, respectively.

HELENA AREA HABITAT FOR HUMANITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 Years Ended June 30, 2016 and 2015

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 years ended June 30, 2016 and 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 terms of the first mortgage vary 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 \$375 to \$485.

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, 2016 and 2015:

	2016		2015	
	Number of Loans	Loan Amount	Number of Loans	Loan Amount
Current	8	\$ 424,548	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>\$ 424,548</u>	<u>8</u>	<u>\$ 444,747</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2016 and 2015

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

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

	<u>Due 1 Year</u>	<u>Due 2-26 Years</u>	<u>Discount</u>	<u>Fair Value</u>
Beginning balance July 1, 2015	\$ 19,063	\$ 425,684	\$ (244,938)	\$ 199,809
Payments received	-	(20,199)	-	(20,199)
Discount amortized	-	-	10,860	10,860
Ending balance June 30, 2016	<u>\$ 19,063</u>	<u>\$ 405,485</u>	<u>\$ (234,078)</u>	<u>\$ 190,470</u>
	<u>Due 1 Year</u>	<u>Due 2-27 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
Current portion	(3,518)	3,518	-	-
Ending balance June 30, 2015	<u>\$ 19,063</u>	<u>\$ 425,684</u>	<u>\$ (244,938)</u>	<u>\$ 199,809</u>

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 the time of closing. 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, 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, 2016 and 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 the time of closing.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2016 and 2015

NOTE 10. FIRE LOSS

In 2016, Habitat elected to early implement ASU 2015-01, Income Statement-Extraordinary and Unusual Items: Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. On July 16, 2015, an arson fire occurred at the ReStore location. This caused the ReStore to be closed for a substantial period of time, affecting its sales for the year. During the fiscal year, the building was rebuilt and improved, and as a result, Habitat refinanced the improved building through Valley Bank. The old loan through the Salvation Army was paid off in the amount of \$149,694 and the new loan through Valley Bank of \$214,472 was executed in May 2016. The administrative offices were relocated during this time, increasing lease expense in the current year. Due to the fire there were multiple assets that were disposed of and replaced, netting an increase of \$259,621 in total assets. Habitat received a total of \$473,056 in insurance proceeds for damage and loss of business revenue related to the fire. Of the \$473,056, \$133,912 was for the loss of business revenue and \$339,144 was for losses related to the building. \$39,410 of the insurance proceeds were paid in fiscal year 2017 and the related receivable is included in the accompanying statement of financial position as insurance proceeds receivable as of June 30, 2016.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 1, 2017, the date the financial statements were available for issue. Management has determined the following subsequent events warrant additional disclosure.

In December 2016, Habitat sold a partner family home. Habitat received \$86,155 from the completion of this home. The home was sold to the partner family and financed through the Montana Board of Housing.

In March 2017, the California State Automobile Association Inter-Insurance Bureau made the decision to forgive Habitat's note payable in full.



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