

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, 2017 and 2016



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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, 2017 and 2016, 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 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, 2017 and 2016, 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.

Anderson Zurmuehlen & Co., P.C.

Helena, Montana

June 22, 2018

FINANCIAL STATEMENTS

HELENA AREA HABITAT FOR HUMANITY
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 172,513	\$ 158,138
Reserved cash	2,231	19,137
Insurance proceeds receivable	-	39,410
Escrow payments receivable	6,674	5,616
Current portion of mortgages receivable	19,309	19,063
Other receivable	<u>2,129</u>	<u>-</u>
Total current assets	<u>202,856</u>	<u>241,364</u>
PROPERTY AND EQUIPMENT		
Buildings and improvements	456,671	456,671
Vehicles	39,569	27,874
Furniture and fixtures	<u>18,697</u>	<u>10,385</u>
	514,937	494,930
Less accumulated depreciation	<u>(27,922)</u>	<u>(9,714)</u>
	<u>487,015</u>	<u>485,216</u>
OTHER ASSETS		
Home held for resale	8,000	-
Home construction in progress	72,768	154,355
Mortgages receivable, net of current portion	389,392	405,485
Unamortized mortgage discount	<u>(223,518)</u>	<u>(234,078)</u>
	<u>246,642</u>	<u>325,762</u>
Total assets	<u>\$ 936,513</u>	<u>\$ 1,052,342</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 6,250	\$ 2,422
Accrued expenses	4,795	17,589
Escrow accounts	2,231	2,594
Current portion, long-term debt	<u>7,118</u>	<u>23,230</u>
Total current liabilities	<u>20,394</u>	<u>45,835</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>196,006</u>	<u>239,003</u>
NET ASSETS		
Unrestricted	720,113	752,504
Temporarily restricted	<u>-</u>	<u>15,000</u>
Total net assets	<u>720,113</u>	<u>767,504</u>
Total liabilities and net assets	<u>\$ 936,513</u>	<u>\$ 1,052,342</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Contributions	\$ 56,692	\$ 42,657
Grant revenue	33,997	40,000
ReStore sales	221,205	129,034
Other program income	-	1,750
Gain (loss) on sale of home	18,510	62,034
Mortgage discount amortization	10,560	10,860
In-kind donation	3,748	8,900
Miscellaneous	53,815	12,308
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>15,000</u>	<u>-</u>
Total unrestricted revenue and support	<u>413,527</u>	<u>639,142</u>
EXPENSES		
Program services:		
ReStore	152,065	154,869
Construction and Partner Family costs	65,496	10,050
Supporting services:		
General and administrative	226,487	146,019
Fundraising	<u>1,870</u>	<u>2,663</u>
Total expenses	<u>445,918</u>	<u>313,601</u>
Change in unrestricted net assets	<u>(32,391)</u>	<u>325,541</u>
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted support	-	15,000
Temporarily restricted net assets released from restrictions	<u>(15,000)</u>	<u>-</u>
Change in temporarily restricted net assets	<u>(15,000)</u>	<u>15,000</u>
Change in net assets	(47,391)	340,541
Net assets, beginning of year	<u>767,504</u>	<u>426,963</u>
Net assets, end of year	<u>\$ 720,113</u>	<u>\$ 767,504</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, 2017

	Program Services			Supporting Services			Total
	ReStore	Construction and Partner Family Costs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	
EXPENSES							
Salaries	\$ 84,244	\$ 25,304	\$ 109,548	\$ -	\$ 89,963	\$ 89,963	\$ 199,511
Payroll taxes and related benefits	17,149	7,025	24,174	-	21,288	21,288	45,462
Bank fees/credit card service fees	-	-	-	-	4,221	4,221	4,221
Campaign	-	-	-	1,870	-	1,870	1,870
Depreciation	12,287	-	12,287	-	5,921	5,921	18,208
Insurance	688	-	688	-	12,114	12,114	12,802
Interest	-	-	-	-	10,382	10,382	10,382
Lease	600	-	600	-	7,085	7,085	7,685
Maintenance	6,819	25,483	32,302	-	766	766	33,068
Miscellaneous	947	2,891	3,838	-	1,842	1,842	5,680
Organizational dues	-	-	-	-	5,614	5,614	5,614
Printing and publicity	-	71	71	-	10,550	10,550	10,621
Professional fees	-	12	12	-	18,298	18,298	18,310
Supplies	5,282	1,709	6,991	-	17,636	17,636	24,627
Taxes and licenses	935	-	935	-	650	650	1,585
Telephone	1,462	210	1,672	-	2,874	2,874	4,546
Travel and training	2,387	767	3,154	-	13,432	13,432	16,586
Utilities	16,972	1,828	18,800	-	388	388	19,188
Volunteer appreciation	2,293	196	2,489	-	3,463	3,463	5,952
Totals	<u>\$ 152,065</u>	<u>\$ 65,496</u>	<u>\$ 217,561</u>	<u>\$ 1,870</u>	<u>\$ 226,487</u>	<u>\$ 228,357</u>	<u>\$ 445,918</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
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (47,391)	\$ 340,541
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	18,208	6,939
Gain on sale of home	-	(62,034)
Gain on sale of equipment	-	(3,781)
Net recovery on fire loss	-	(193,906)
Mortgage discount amortization	(10,560)	(10,860)
Change in operating assets and liabilities:		
Accounts receivable	(2,129)	-
Prepaid expenses	-	500
Escrow payments receivable	(1,058)	2,978
Home construction in process	81,587	(40,997)
Mortgages receivable	15,847	20,199
Home held for sale	(8,000)	60,396
Accounts payable	3,828	(1,668)
Escrow accounts liability	(363)	752
Accrued expenses	(12,794)	(400)
Net cash flows from operating activities	<u>37,175</u>	<u>118,659</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from building insurance recovery	39,410	299,734
Proceeds from sale of home	-	62,034
Proceeds from sale of equipment	-	6,800
Purchase of property and equipment	(20,007)	(454,482)
Net cash flows from investing activities	<u>19,403</u>	<u>(85,914)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(59,109)	(22,313)
Net proceeds from refinance of long term debt	-	64,453
Net cash flows from financing activities	<u>(59,109)</u>	<u>42,140</u>
Net change in cash and cash equivalents	(2,531)	74,885
Cash and cash equivalents, beginning of the year	<u>177,275</u>	<u>102,390</u>
Cash and cash equivalents, end of the year	<u>\$ 174,744</u>	<u>\$ 177,275</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents per statement of financial position:		
Cash and cash equivalents	\$ 172,513	\$ 158,138
Reserved cash	<u>2,231</u>	<u>19,137</u>
Cash and cash equivalents, end of year	<u>\$ 174,744</u>	<u>\$ 177,275</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 10,307</u>	<u>\$ 6,349</u>
Debt refinanced	<u>\$ -</u>	<u>\$ 149,694</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, 2017 and 2016

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, 2017 and 2016, 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). Reserved cash at June 30, 2017 and 2016, was \$2,231 and \$19,137, 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, 2017 and 2016

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. 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, 2017 and 2016.

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 value on the date it was received. Depreciation expense reflected in the accompanying financial statements in the amount of \$18,208 for 2017, and \$6,939 for 2016, 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, 2017 and 2016

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 or dependent on the passage of time. 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, 2017 and 2016.

Advertising costs

Advertising costs are expensed in the year incurred. Advertising expense was \$10,621 and \$5,008 in 2017 and 2016, 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 is reported net of discounts and estimated returns.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2017 and 2016

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 \$25,565 and \$21,606 as of June 30, 2017 and 2016, 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, 2017 and 2016, Habitat received \$985 and \$972 in distributed earnings.

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016, Habitat held temporarily restricted contributions in the amount of \$15,000 to be used for partner home construction.

These temporarily restricted net assets in the amount of \$15,000 were released from restrictions in the year ended June 30, 2017, when the funds were used for the specified purpose.

No temporarily restricted contributions were received during fiscal year 2017.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2017 and 2016

NOTE 4. LONG-TERM DEBT

Habitat had long-term debt at June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</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
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>207,298</u>	<u>214,147</u>
	207,298	266,630
Less unamortized debt issuance costs	<u>(4,174)</u>	<u>(4,397)</u>
	203,124	262,233
Less current portion	<u>(7,118)</u>	<u>(23,230)</u>
Total long-term debt, less current portion and debt issuance costs	<u>\$ 196,006</u>	<u>\$ 239,003</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.

In March 2017, the California State Automobile Association Inter-Insurance Bureau made the decision to forgive Habitat's note payable in full. As a result, \$52,483 was included in miscellaneous income.

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

2018	\$ 7,118
2019	7,436
2020	7,753
2021	7,460
2022	8,477
Thereafter	<u>164,880</u>
	<u>\$ 203,124</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, 2017 and 2016, Habitat's tithing expenses were \$-0- and \$1,500, respectively.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2017 and 2016

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, 2017 and 2016. 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, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	Number of Loans	Loan Amount	Number of Loans	Loan Amount
Current	5	\$ 237,954	8	\$ 424,794
30 days past due	-	-	-	-
31-60 days past due	1	53,540	-	-
More than 60 days past due	<u>2</u>	<u>117,207</u>	<u>-</u>	<u>-</u>
	<u>8</u>	<u>\$ 408,701</u>	<u>8</u>	<u>\$ 424,794</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2017 and 2016

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 2-25 Years</u>	<u>Discount</u>	<u>Fair Value</u>
Beginning balance July 1, 2016	\$ 19,309	\$ 405,485	\$ (234,078)	\$ 190,716
Payments received	-	(16,093)	-	(16,093)
Discount amortized	-	-	10,560	10,560
Ending balance June 30, 2017	<u>\$ 19,309</u>	<u>\$ 389,392</u>	<u>\$ (223,518)</u>	<u>\$ 185,183</u>
	<u>Due 1 Year</u>	<u>Due 2-26 Years</u>	<u>Discount</u>	<u>Fair Value</u>
Beginning balance July 1, 2015	\$ 19,309	\$ 425,684	\$ (244,938)	\$ 200,055
Payments received	-	(20,199)	-	(20,199)
Discount amortized	-	-	10,860	10,860
Ending balance June 30, 2016	<u>\$ 19,309</u>	<u>\$ 405,485</u>	<u>\$ (234,078)</u>	<u>\$ 190,716</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 June 30, 2017 and 2016, 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, 2017 and 2016

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 June 22, 2018, the date the financial statements were available for issue. Management has determined the following subsequent events warrant additional disclosure.

During fiscal year 2018, Habitat sold 3 condos on the open market, generating sales proceeds of \$376,881.

On April 11, 2018, Habitat signed a two-year technical assistance grant agreement with the US Department of Agriculture in the amount of \$389,004. These funds are to be used in assisting 12 low-income homeowners in Lewis and Clark County for the purpose of providing technical and supervisory assistance to carry out mutual self-help housing efforts.



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