

**EAST ST. TAMMANY
HABITAT FOR HUMANITY, INC.**

FINANCIAL REPORT

For the Years Ended June 30, 2018 and 2017



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EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
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JUNE 30, 2018

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Report



Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807 (fax)
www.CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
East St. Tammany Habitat for Humanity, Inc.
Slidell, Louisiana

We have audited the accompanying financial statements of East St. Tammany Habitat for Humanity, Inc. (the Organization), a Louisiana not-for-profit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 East St. Tammany Habitat for Humanity as of June 30, 2018 and 2017, and the statements of activities, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of 2017 Financial Statements

As discussed in Note 2 to the financial statements, the June 30, 2017 financial statements have been restated.

Carri Riggs & Ingram, L.L.C.

December 21, 2018



Financial Statements

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION

<i>As of June 30,</i>	2018	2017
		(as restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 464,794	\$ 180,356
Accounts receivable	8,314	-
Restricted cash and cash equivalents	1,249	1,000
Current portion of mortgage notes receivable, net	239,037	277,731
Prepays and other assets	7,164	9,424
Total Current Assets	720,558	468,511
CONSTRUCTION IN PROGRESS	244,374	290,131
LAND AND LOT INVENTORY	989,173	991,742
PROPERTY AND EQUIPMENT		
Vehicles	39,500	39,500
Furniture and fixtures	19,575	19,575
Equipment	2,602	2,602
Less: accumulated depreciation	(58,595)	(55,477)
Total Property and Equipment, Net	3,082	6,200
LONG-TERM PORTION OF MORTGAGE NOTES RECEIVABLE, net of unamortized discounts	1,602,243	1,704,113
TOTAL ASSETS	\$ 3,559,430	\$ 3,460,697
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 21,480	\$ 50,347
Grant loan payable	-	1,780
Current portion of lease payable	980	980
Current portion of notes payable	-	13,696
Total Current Liabilities	22,460	66,803
LEASE PAYABLE, net of current portion	1,548	2,528
NOTES PAYABLE, net of current portion	-	11,916
Total Liabilities	24,008	81,247
NET ASSETS		
Unrestricted	3,534,173	3,378,450
Temporarily restricted	1,249	1,000
Total Net Assets	3,535,422	3,379,450
TOTAL LIABILITIES AND NET ASSETS	\$ 3,559,430	\$ 3,460,697

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

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES

<i>For the Year Ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Sales of houses, net of unamortized discounts	\$ 107,180	\$ -	\$ 107,180
Contributions - organizations and businesses	1,773	-	1,773
Contributions/grants - Habitat International	8,205	-	8,205
Contributions - individuals	10,172	-	10,172
Contributions - scholarships	1,000	1,249	2,249
Contributed property and materials	10,082	-	10,082
Volunteer/affiliate income	600	-	600
Miscellaneous income	9,435	-	9,435
Amortization of loan discount (imputed interest)	204,219	-	204,219
ReStore sales	65,691	-	65,691
Fundraising	116,985	-	116,985
Interest	328	-	328
Gain on sale of mortgage notes receivable	93,690	-	93,690
Settlement income	216,192	-	216,192
Net assets released from restriction	1,000	(1,000)	-
Total Revenues and Support	846,552	249	846,801
EXPENSES			
Program service			
Housing	355,215	-	355,215
Supporting services			
General and administrative	183,302	-	183,302
Fundraising	74,087	-	74,087
ReStore	78,225	-	78,225
Total Expenses	690,829	-	690,829
CHANGE IN NET ASSETS	155,723	249	155,972
NET ASSETS - Beginning of year	3,378,450	1,000	3,379,450
NET ASSETS - End of year	\$ 3,534,173	\$ 1,249	\$ 3,535,422

The accompanying notes are an integral part of this financial statement.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES

<i>For the Year Ended June 30, 2017</i>	Unrestricted	Temporarily Restricted	Total (as restated)
REVENUES AND SUPPORT			
Sales of houses, net of unamortized discounts	\$ 154,254	\$ -	\$ 154,254
Contributions - organizations and businesses	5,507	-	5,507
Contributions/grants - Habitat International	5,000	-	5,000
Contributions - individuals	7,925	-	7,925
Contributions - churches	3,188	-	3,188
Contributed property and materials	221,235	-	221,235
Volunteer/affiliate income	4,190	-	4,190
Miscellaneous income	4,212	-	4,212
Amortization of loan discount (imputed interest)	168,822	-	168,822
ReStore sales	74,152	-	74,152
Fundraising	115,316	-	115,316
Interest	292	-	292
Net assets released from restriction	1,000	(1,000)	-
Total Revenues and Support	765,093	(1,000)	764,093
EXPENSES			
Program service			
Housing	365,166	-	365,166
Supporting services			
General and administrative	150,366	-	150,366
Fundraising	54,841	-	54,841
ReStore	81,824	-	81,824
Total Expenses	652,197	-	652,197
CHANGE IN NET ASSETS	112,896	(1,000)	111,896
NET ASSETS - Beginning of year (as restated)	3,265,554	2,000	3,267,554
NET ASSETS - End of year	\$ 3,378,450	\$ 1,000	\$ 3,379,450

The accompanying notes are an integral part of this financial statement.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

<i>For the Year Ended June 30, 2018</i>	Program Service		Supporting Services			Total
	Housing	General and Administrative	Fundraising	ReStore		
Advertising	\$ 810	\$ 120	\$ 25,960	\$ 4,545	\$ 31,435	
Depreciation	-	3,118	-	-	3,118	
Direct construction costs	203,307	-	-	-	203,307	
Insurance	30,264	1,142	3,524	-	34,930	
Interest expense	678	-	-	-	678	
Office expenses	18,034	11,587	11,970	16,500	58,091	
Other expenses	7,135	2,502	-	9,250	18,887	
Payroll taxes and benefits	23,362	19,492	-	4,097	46,951	
Professional fees	-	25,519	-	-	25,519	
Repairs and maintenance	1,713	71	-	-	1,784	
Salaries and wages	62,140	110,357	-	38,129	210,626	
Supplies	40	3,375	32,633	1,104	37,152	
Telephone	480	3,902	-	-	4,382	
Tithe	1,500	-	-	-	1,500	
Travel	-	2,117	-	-	2,117	
Utilities	5,419	-	-	4,600	10,019	
Volunteer costs	333	-	-	-	333	
	\$ 355,215	\$ 183,302	\$ 74,087	\$ 78,225	\$ 690,829	

The accompanying notes are an integral part of this financial statement.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

<i>For the Year Ended June 30, 2017</i>	Program		Supporting Services			Total
	Service	Housing	General and Administrative	Fundraising	ReStore	
Advertising	\$	2,608	\$ 200	\$ 7,663	\$ 3,147	\$ 13,618
Depreciation		-	3,120	-	-	3,120
Direct construction costs		181,079	-	-	-	181,079
Insurance		38,299	-	2,344	-	40,643
Interest expense		1,399	-	-	-	1,399
Office expenses		21,006	7,614	18,201	16,500	63,321
Other expenses		7,172	2,062	-	9,357	18,591
Payroll taxes and benefits		26,052	23,887	-	3,262	53,201
Professional fees		-	19,024	-	-	19,024
Repairs and maintenance		1,770	424	-	-	2,194
Salaries and wages		68,850	93,046	-	42,652	204,548
Supplies		2,984	196	26,633	1,178	30,991
Telephone		3,421	607	-	-	4,028
Tithe		3,000	-	-	-	3,000
Travel		1,106	135	-	-	1,241
Utilities		3,481	51	-	5,728	9,260
Volunteer costs		2,939	-	-	-	2,939
	\$	365,166	\$ 150,366	\$ 54,841	\$ 81,824	\$ 652,197

The accompanying notes are an integral part of this financial statement.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS

<i>For the Years Ended June 30,</i>	2018	2017
		(as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 155,972	\$ 111,896
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,118	3,120
Sales of houses, net of discounts	(107,180)	(154,254)
Gain on sale of mortgage notes receivables	(93,690)	-
Amortization of loan discount (imputed interest)	(204,219)	(168,822)
Changes in operating assets and liabilities:		
Restricted cash and cash equivalents	(249)	1,000
Accounts receivable	(8,314)	-
Prepays and other assets	2,260	(5,088)
Construction in progress and lot and land inventory	48,326	(294,968)
Accounts payable and accrued liabilities	(28,867)	37,540
Net cash used in operating activities	(232,843)	(469,576)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on mortgage notes receivable	351,311	396,970
Proceeds from sales of mortgage notes receivable	194,342	-
Net cash provided by investing activities	545,653	396,970
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on grant loan payable	(1,780)	(5,904)
Principal payments on notes payable	(25,612)	(11,909)
Principal payments on lease payable	(980)	(1,061)
Net cash used in financing activities	(28,372)	(18,874)
NET CHANGE IN CASH AND CASH EQUIVALENTS	284,438	(91,480)
CASH AND CASH EQUIVALENTS - Beginning of year	180,356	271,836
CASH AND CASH EQUIVALENTS - End of year	\$ 464,794	\$ 180,356
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 678	\$ 1,399
NON-CASH INVESTING ACTIVITIES		
Directly issued mortgage notes receivable from the Organization to homeowners for the sale of new houses	\$ 107,180	\$ 154,254

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

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC. NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

East St. Tammany Habitat for Humanity, Inc. (the Organization), a not-for-profit organization, is a recognized affiliate of Habitat for Humanity International and follows the accounting procedures and practices for voluntary health and welfare organizations established by the American Institute of Certified Public Accountants as published in the Industry Audit Guide on "Audits of Voluntary Health and Welfare Organizations," which constitutes accounting principles generally accepted in the United States of America. The Organization helps provide housing for low-income families by identifying potential home sites, constructing new homes, and refurbishing existing structures. These homes, located in eastern St. Tammany Parish, are financed to qualified families with mortgage notes carrying a zero percent interest rate. The Organization relies heavily on volunteer efforts and various contributions and sponsorships to complete the construction projects.

Financial Statement Presentation

The Organization presents its financial statements in accordance with guidelines of the Financial Accounting Standards Board related to not-for-profit organizations. Under these guidelines, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- a) Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- b) Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods. As of June 30, 2018 and 2017, temporarily restricted net assets were \$1,249 and \$1,000, respectively.
- c) Permanently restricted net assets are donor-imposed assets that stipulate that the donation be maintained permanently but permits the use of all or part of the income derived. There were no permanently restricted net assets as of June 30, 2018 and 2017.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three (3) months or less to be cash equivalents.

Restricted Cash and Cash Equivalents / Temporarily Restricted Net Assets

As of June 30, 2018 and 2017, restricted cash and cash equivalents is comprised of \$1,249 and \$1,000, respectively, held in a separate bank account to be used for scholarships to be given to college students.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC. NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contribution Recognition

The Organization is required to record contributions in accordance with guidelines from the Financial Accounting Standards Board related to accounting for not-for-profit organizations. Under these guidelines, contributions are recorded as restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. If there are no explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional Promise to Give

Pursuant with the Organization's policy and in conformity with Financial Accounting Standards Board guidelines for not-for-profit organizations, the Organization records certain promises to give as revenue when the promise is made.

Mortgage Notes Receivable

Mortgage notes receivable consist of non-interest bearing mortgage notes which are collateralized by real estate in the eastern St. Tammany Parish, Louisiana area and payable in monthly installments over the life of the mortgage notes. The mortgage notes receivable are net of discounts, which represent the difference between the stated amount of the mortgage notes and the present values based on an imputed amount of interest. The discounts are amortized over the lives of the mortgage notes using the interest method. The imputed interest rates used approximate the rates that independent borrowers and lenders would have negotiated in a similar transaction. Mortgage notes receivable are considered past due if payments are more than thirty days late. All mortgage notes receivable are collateralized by residential property.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Bad Debts

The Organization uses the direct write-off method to provide for uncollectible accounts. Management believes use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America. There was no allowance for bad debt as of June 30, 2018 and 2017.

ReStore Inventory

Financial Accounting Standards Board guidelines related to not-for-profit organizations generally require that contributions be recognized as inventory when received and carried at fair value. However, donations of ReStore items are not valued nor are they inventoried for financial reporting. This accounting treatment is based on guidance stating "a major uncertainty about the existence of value may indicate that an item received or given should not be recognized."

Property and Equipment

Property and equipment are stated at cost, with the exception of donated items, which are stated at fair market value at the date of donation. It is the Organization's policy to capitalize expenditures for items in excess of \$1,000 with a useful life of at least 3 years. Lesser amounts are expensed. The Organization uses the straight-line depreciation method over the useful life or the remaining lease term. Amortization of capital lease assets is included in depreciation expense. Furniture and fixtures are depreciated over 3 to 5 years. Vehicles and equipment are depreciated over 5 years.

The Organization periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined by independent market appraisals or by using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recognized for the years ended June 30, 2018 and 2017.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC. NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction in Progress

At June 30, 2018 and 2017, construction in progress of \$244,374 and \$290,131, respectively, represents all direct material, labor, and infrastructure costs incurred to construct family housing. Revenue and expense are recognized when the property is transferred to the homeowner. At June 30, 2018 and 2017, construction in progress includes \$164,394 and \$205,860, respectively, of repossessed real estate including improvements made subsequent to their repossession. As of June 30, 2018, the Organization had begun formal foreclosure procedures on seven (7) mortgages outstanding greater than four (4) months. Additionally, as of June 30, 2017, the Organization had not begun formal foreclosure procedures on any mortgage notes.

Land and Lot Inventory

The Organization acquires properties, both donated and purchased, to be used as future home sites. These investment properties are stated at cost, with the exception of donated land, which is stated at fair market value at the date of donation.

Income Taxes

The Organization was formed in 1992 to provide housing for low-income families. The Organization was chartered in the State of Louisiana as a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes there are no uncertain tax positions in the accompanying financial statements.

Donated Property, Materials and Services

Financial Accounting Standards Board guidelines require that contributions be recognized as revenue when received. During the years ended June 30, 2018 and 2017, the Organization recognized sales of contributed merchandise at its ReStore with a fair value of \$65,691 and \$74,152, respectively, as contribution revenue. These contributions require related expenses/processes to be accomplished before they reach the point of sale. The Organization discontinued ReStore operations during September 2018.

For the years ended June 30, 2018 and 2017, total contributed property and materials was \$10,082 and \$221,235, respectively, which consisted of donated land. During September 2018, 11 lots of land totaling \$34,000 were donated to the Organization. There were no services meeting the requirements for recognition in the financial statements for the years ended June 30, 2018 and 2017. A substantial number of volunteers have contributed significant amounts of their time in the Organization's program and supporting services. However, as these volunteer services do not meet all of the applicable requirements for recognition of Financial Accounting Standards Board guidelines, the Organization has not recorded an expense or donation in the financial statements for these volunteered services.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC. NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on actual amounts or management's best estimates.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising

The Organization expenses advertising costs as they are incurred.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. Such reclassifications, including the reclassification of revenue and expense accounts, had no effect on net income as previously reported.

Recent Account Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. This ASU will be effective for the year ending June 30, 2019. Management is currently evaluating the impact of this standard. The Organization has not elected to early adopt this standard.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers: Topic 606, to supersede nearly all existing revenue recognition guidance under United States GAAP. In August 2015, the FASB deferred the effective date for implementation of ASU 2014-09 by one year and will be effective for the year ending

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Account Pronouncements (Continued)

June 30, 2020. Management is currently evaluating the impact of this standard. The Organization has not elected to early adopt this standard.

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update do not provide a definition of restricted cash or restricted cash equivalents. This ASU will be effective for the year ending June 30, 2020. Management is currently evaluating the impact of this standard. The Organization has not elected to early adopt this standard.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Under the new provisions, which requires lease obligations to be recognized on the balance sheet. This ASU will be effective for the year ending June 30, 2021. Management is currently evaluating the impact of this standard. The Organization has not elected to early adopt this standard.

NOTE 2 – RESTATEMENT OF 2017 FINANCIAL STATEMENTS

Subsequent to the issuance of the June 30, 2017 financial statements, the Organization determined certain mortgage notes receivable paid off prior to July 1, 2016 were not reflected as such. The effects of the restated amounts on the 2017 financial statements are included below.

	As previously reported	Adjustment	As restated
Statement of Financial Position at June 30, 2017			
Long-term portion of mortgages notes receivable, net of unamortized discounts	\$ 1,624,402	\$ 79,711	\$ 1,704,113
TOTAL ASSETS	3,380,986	79,711	3,460,697
Unrestricted net assets	3,298,739	79,711	3,378,450
Total Net Assets	3,299,739	79,711	3,379,450
TOTAL LIABILITIES AND NET ASSETS	3,380,986	79,711	3,460,697
Statement of Activities for the year ended June 30, 2017			
Sales of houses, net of unamortized discounts	130,644	23,610	154,254
Amortization of loan discount (imputed interest)	135,138	33,684	168,822

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CORRECTION OF 2017 FINANCIAL STATEMENT AMOUNTS (CONTINUED)

Total Revenues and Support	706,799	57,294	764,093
CHANGE IN NET ASSETS	69,602	42,294	111,896
NET ASSETS – Beginning of year	3,230,137	37,417	3,267,554
NET ASSETS – End of year	3,299,739	79,711	3,379,450

Statement of Cash Flows for the year ended June 30, 2017

Change in net assets	69,602	42,294	111,896
Sales of houses, net of discounts	(130,644)	(23,610)	(154,254)
Amortization of loan discount (imputed interest)	-	(168,822)	(168,822)
Net cash used in operating activities	(319,438)	(150,138)	(469,576)
Payments received on mortgage notes receivable	246,832	150,138	396,970
Net cash provided by investing activities	246,832	150,138	396,970

NOTE 3 - MORTGAGE NOTES RECEIVABLE

Upon completion of construction, the Organization grants credit to new homeowners through mortgage notes secured by the residence with typical repayment terms over 15 to 30 years at zero percent interest. At June 30, 2018 and 2017, respectively, 96 and 102 non-interest bearing loans were outstanding.

The Organization shows its non-interest bearing loans at fair market value. For the years ended June 30, 2018 and 2017, the Organization discounted its mortgage notes receivable using the interest method and a crediting interest rate of 7.57% and 7.47%, respectively, as designated by Habitat International. For the years ended June 30, 2018 and 2017, a discount of \$127,540 and \$86,609, respectively, was recorded on mortgage notes issued as a reduction to mortgage notes receivable on the statements of financial position and sales of houses on the statements of activities. Amortization of the mortgage receivable discount is recorded as interest income over the life of the note. For the years ended June 30, 2018 and 2017, amortization of discounted mortgage notes of \$204,219 and \$168,822, respectively, was recorded and is included as amortization of loan discount (imputed interest) on the statements of activities. As of June 30, 2018 and 2017, the unamortized discount on mortgage notes receivable was \$2,224,183 and \$2,428,848, respectively.

During the year ended June 30, 2018, the Organization sold mortgage notes receivable, which had a recorded amount of \$100,653 at the sale date, to a local institution for \$194,342, recognizing a gain on the sale of \$93,690. The sales agreement includes a clause stating that, in the event of one of the sold mortgages becoming uncollectible, the Organization will replace that mortgage note with another mortgage note of similar value. During the year ended June 30, 2017, the Organization sold no mortgage notes receivables to local financial institutions.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts owed from organizations that sponsor the building of new homes and grants from federal housing programs. At June 30, 2018, accounts receivable was \$8,134. There was no accounts receivable balance at June 30, 2017.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at several financial institutions located in southeast Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's cash balance was in excess of the FDIC insurance by \$186,581 at June 30, 2018. The Organization was not in excess of the FDIC coverage at June 30, 2017. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE 6 - GRANT LOAN PAYABLE

On August 18, 2011, Habitat for Humanity International made an amount of \$94,500 available to the Organization. Seventy-five percent (\$70,875) of the funds was in the form of a grant and twenty-five percent (\$23,625) was in the form of a loan. The loan was non-interest bearing consisting of 47 installments of \$492 on the first day of each month and a final payment of \$501 on the maturity date in June 2018. At June 30, 2017, the grant loan payable was \$1,780. As of June 30, 2018, the grant loan payable was paid in full.

NOTE 7 - LEASE PAYABLE

Lease payable consisted of the following at June 30:

	2018	2017
Lease payable at \$82 monthly, no interest, due March 2021. The note is collateralized by a phone system.	\$ 2,528	\$ 3,508
Less current portion	(980)	(980)
Lease payable, net of current portion	\$ 1,548	\$ 2,528

Future scheduled maturities of the lease payable are as follows:

Years Ending June 30:	
2019	\$ 980
2020	1,548
Total	\$ 2,528

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - NOTE PAYABLE

At June 30, 2018 and 2017, the Organization was indebted as follows:

	2018	2017
Loan through HFHI-FlexCAP, maturity date of June 2019, interest rate of 4.00%, secured by mortgaged notes, trade receivables, property, and escrow accounts. The loan was paid in full during June 2018.	\$ -	\$ 25,612
Less: current portion	-	(13,696)
Notes Payable, net of current portion	\$ -	\$ 11,916

For the years ended June 30, 2018 and 2017, interest expense on the note payable was \$678 and \$1,399, respectively.

NOTE 9 - REVOLVING LINE OF CREDIT

The Organization has an agreement for a \$100,000 line of credit with a local financial institution bearing interest of Wall Street Journal Prime rate plus a margin of 1.0% (4.50% as of June 30, 2017). The line of credit matured February 2018 and was not renewed. The line of credit was secured by an assignment of mortgage notes which were to be determined. As of June 30, 2018 and 2017, there was no outstanding balance or interest expense.

NOTE 10 - TITHE TO HABITAT FOR HUMANITY INTERNATIONAL

The Organization remits a portion of the local support that it raises to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2018 and 2017, the amount of the tithe to Habitat for Humanity International totaled \$1,500 and \$3,000, respectively. This amount was included in program service expense in the statements of activities.

NOTE 11 - LEASE COMMITMENTS

The Organization leases a building from a board member, which houses its main office and ReStore. The lease calls for monthly payments of \$4,000 and contains a provision allowing for the monthly lease payment to be reduced to \$2,750 if the rent is paid by the 5th of each month. The lease matured on December 31, 2014 and is currently on a month to month basis. Rent paid was \$33,000 for each of the years ended June 30, 2018 and 2017, and is included in office expenses in the accompanying statements of functional expenses.



**EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 21, 2018, and determined that no events occurred that require disclosure, except as disclosed in Note 1. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.