

St. Lucie Habitat for Humanity, Inc.

FINANCIAL STATEMENTS

June 30, 2018

**St. Lucie Habitat for Humanity, Inc.
FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2018

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Report of Independent Auditors

To the Board of Directors
St. Lucie Habitat for Humanity, Inc.
Fort Pierce, Florida

Report on the Financial Statements

We have audited the accompanying statement of financial position of St. Lucie Habitat for Humanity, Inc. (a nonprofit organization), as of June 30, 2018, and the related statements of activities, and cash flows, for the year 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 consolidated 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 audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the Board of Directors
St. Lucie Habitat for Humanity, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Lucie Habitat for Humanity, Inc. as of June 30, 2018, and its activities, cash flows, and functional expenses, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Berger Toombs Elam
Gaines + Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants, PL
Fort Pierce, Florida

October 16, 2018

St. Lucie Habitat for Humanity, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2018

Assets	
Current Assets	
Cash and cash equivalents	\$ 149,376
Accounts receivable	19,280
Mortgages receivable - current portion	127,000
Cost of homes under construction	268,548
Due from others	12,099
Prepaid expenses	250
Utility deposit	8,118
Total Current Assets	<u>584,671</u>
Fixed Assets	
Fixed assets, less accumulated depreciation of (\$299,019)	<u>468,779</u>
Other Assets	
Accounts receivable - non-current	4,256
Mortgage receivables, net of discount	1,237,249
Land held for development	43,845
Total Other Assets	<u>1,285,350</u>
Total Assets	<u><u>\$ 2,338,800</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	\$ 101,614
Accrued wages and payroll taxes payable	18,117
Sales tax payable	4,245
Line of credit	194,650
Current portion of long term debt	20,122
Total Current Liabilities	<u>338,748</u>
Noncurrent Liabilities	
Mortgages and notes payables	<u>387,902</u>
Net Assets	
Unrestricted	<u>1,612,150</u>
Total Net Assets	<u>1,612,150</u>
Total Liabilities and Net Assets	<u><u>\$ 2,338,800</u></u>

See accompanying notes to financial statements.

St. Lucie Habitat for Humanity, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and Revenues			
Support			
Donations	\$ 176,657	\$ -	\$ 176,657
In-kind donations	17,941	-	17,941
Grants	31,000	-	31,000
Sponsorships	344,001	-	344,001
Net assets released from restrictions	30,000	(30,000)	-
Total Support	599,599	(30,000)	569,599
Revenues			
ReStore sales	776,568	-	776,568
Interest and dividend income	20,269	-	20,269
Loan amortization	64,189	-	64,189
Rental income	1,880	-	1,880
Home transfer of mortgages	644,000	-	644,000
Other income	150,623	-	150,623
Total Revenues	1,657,529	-	1,657,529
Total Support and Revenues	2,257,128	(30,000)	2,227,128
Expenses			
Program Services			
Family support and construction	1,539,825	-	1,539,825
ReStore	615,190	-	615,190
Total Program Services	2,155,015	-	2,155,015
Supporting Services			
General and administrative	149,348	-	149,348
Fundraising	90,783	-	90,783
Total Supporting Services	240,131	-	240,131
Total Expenses	2,395,146	-	2,395,146
Change in Net Assets	(138,018)	(30,000)	(168,018)
Net Assets - July 1, 2017	1,750,168	30,000	1,780,168
Net Assets - June 30, 2018	\$ 1,612,150	\$ -	\$ 1,612,150

See accompanying notes to financial statements.

St. Luice Habitat for Humanity, Inc.
STATEMENT OF CASH FLOWS
June 30, 2018

Cash Flows From Operating Activities

<i>Change in Net Assets</i>	\$ (168,018)
<i>Adjustments to reconcile change in net assets to net cash (used) by operating activities:</i>	
Depreciation	27,165
Transfer to homeowners, net of discount	(249,328)
Mortgage loan discount amortization	(58,999)
Contractual forgiveness of mortgages	24,660
<i>(Increase) decrease in:</i>	
Accounts receivable	(4,754)
Cost of homes under construction	330,400
Due from others	6,438
Utility deposit	786
Land held for development	(7,920)
Deposits on property	87,665
<i>Increase (decrease) in:</i>	
Accounts payable	(36,890)
Accrued wages and payroll taxes payable	122
Sales tax payable	1,035
Net Cash Used in Operating Activities	(47,638)

Cash Flows From Investing Activities

Mortgage payments received	102,706
Purchases of capital assets	(237)
Net Cash Provided by Investing Activities	102,469

Cash Flows From Financing Activities

Proceeds from issuance of line of credit and notes payable	70,461
Principal payments on notes payable	(20,163)
Net Cash Provided by Financing Activities	50,298

Net Increase in Cash 105,129

Cash - July 1, 2017 44,247

Cash - June 30, 2018 \$ 149,376

Supplemental disclosure of cash flow information:

Interest paid \$ 42,086

Supplemental disclosure of noncash activities:

Issuance of non-interest bearing mortgage loans \$ 507,500
Discount on non-interest bearing mortgage loans \$ 261,214

See accompanying notes to financial statements.

St. Lucie Habitat for Humanity, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	<u>Program Services</u>		Total Program Services	<u>Support Services</u>		Total Support Services	Total Expenses
	Family Support and Construction	ReStore		General and Administrative	Fundraising		
Cost of homes	905,252	-	905,252	-	-	-	905,252
Salaries and wages	177,702	330,017	507,719	63,465	63,465	126,930	634,649
Discount amortization	261,214	-	261,214	-	-	-	261,214
Rent	-	135,480	135,480	-	-	-	135,480
Insurance	14,215	27,862	42,077	14,215	569	14,784	56,861
Cost of mortgages	52,503	-	52,503	-	-	-	52,503
Payroll taxes	13,712	25,464	39,176	4,897	4,897	9,794	48,970
Utilities	2,436	40,919	43,355	2,923	2,435	5,358	48,713
Interest	42,086	-	42,086	-	-	-	42,086
Travel	4,017	4,017	8,034	28,122	4,017	32,139	40,173
Office supplies	12,636	10,530	23,166	3,009	3,911	6,920	30,086
Employee benefits	7,216	15,032	22,248	6,013	1,804	7,817	30,065
Depreciation and amortization	10,866	5,433	16,299	10,866	-	10,866	27,165
Contractual mortgage forgiveness	22,017	-	22,017	-	-	-	22,017
Supplies	4,276	5,274	9,550	1,425	3,278	4,703	14,253
Professional services	-	-	-	7,973	1,993	9,966	9,966
Other expenses	7,171	-	7,171	897	897	1,794	8,965
Repairs and maintenance	-	4,794	4,794	3,922	-	3,922	8,716
Printing	1,897	2,168	4,065	271	1,083	1,354	5,419
Advertising	-	2,484	2,484	776	1,915	2,691	5,175
Taxes	-	5,056	5,056	-	-	-	5,056
Postage	331	409	740	110	254	364	1,104
Education and training	197	197	394	396	197	593	987
Food and entertainment	81	54	135	68	68	136	271
Total Expenses	\$ 1,539,825	\$ 615,190	\$ 2,155,015	\$ 149,348	\$ 90,783	\$ 240,131	\$ 2,395,146

See accompanying notes to financial statements.

St. Lucie Habitat for Humanity, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

St. Lucie Habitat for Humanity, Inc. (“Habitat”) was incorporated on December 21, 1995 in the State of Florida for the purpose of building houses for those who could not otherwise own a home by raising the money and doing the actual home construction, with a substantial amount of donated material and services.

On July 17, 2009, St. Lucie Habitat for Humanity CHDO, Inc. was incorporated in the State of Florida as a not-for-profit corporation and whose only member is St. Lucie Habitat for Humanity, and reports its financial activities on its separate financial statements. The purpose of this corporation is to provide homeownership for low income households. It can acquire vacant home and renovate, but most often builds new homes (primarily with funds received from HUD grants).

On October 21, 2016, Habitat filed Articles of Organization with the State of Florida to form its wholly owned subsidiary SLHFH Funding Company I, LLC (the “Company”). The Company’s purpose is to acquire and hold mortgage loans and related documents to comply with the terms of any note purchase agreement between the Company and any financial institution. As a sole member limited liability company, the entity is disregarded for purposes of the Internal Revenue Code.

Financial Statement Presentation

Habitat prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. The significant accounting and reporting policies used by Habitat are described subsequently to enhance the usefulness and understandability of the financial statements.

The financial statements are presented following the requirements of ASC 958 *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, Habitat is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

As required by the FASB ASC 958, *Revenue Recognition*, Habitat accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

St. Lucie Habitat for Humanity, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred and totaled \$5,175 for the year ended June 30, 2018.

Mortgages Receivable

Habitat holds non-interest bearing mortgages on homes that it has built and sold. In accordance with generally accepted accounting principles, the present value of the original mortgages are determined (using an appropriate discount factor) and a discount expense for mortgages issued is recognized as a program expense in the year the mortgages are created. The discount expense is then amortized over the life of the mortgage, using the straight-line method and recognized as interest income.

Second mortgages exist on some of the completed homes, with some held by Habitat and others held by the City of Port St. Lucie and City of Fort Pierce. No payments are received for a majority of the second mortgages. Instead, those second mortgages held by Habitat are forgiven at the rate of 10% of the balance per year. Starting in July 2015, these mortgages became due upon maturity of the first mortgage.

Third mortgages exist on some of the completed homes, all of which are held by Habitat. No payments are received for a majority of these mortgages. Instead, these third mortgages are forgiven at the rate of 5% of the original balance per year. Starting in July 2015, these mortgages became due upon maturity of the first mortgage.

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Donated property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contribution is recorded as restricted. In the absence of such stipulations, contributions are recorded as unrestricted. When assets are retired or otherwise disposed of, the asset's cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the period. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is provided for fixed assets using the straight-line method based on estimated useful lives of 5-39 years.

St. Lucie Habitat for Humanity, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Habitat obtained their exempt status under the provisions of the Internal Revenue Code 501(c)(3). St. Lucie Habitat for Humanity, Inc. is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to Habitat are tax deductible to donors under Section 170 of the IRC. Habitat is not classified as a private foundation within the meaning of Section 509(a).

Habitat has adopted the provisions of FASB ASC 740-10, *Uncertainty in Income Taxes*. Under this section, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. There was no impact to Habitat's financial statements as a result of the implementation of ASC 740-10. Habitat's income tax returns for fiscal years ending June 30 2015, 2016, and 2017 remain open to examination by the Internal Revenue Service.

Fair Value Measurements

Habitat reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which Habitat has access at the measurement date.

Level 2 - Inputs other than quoted prices, included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, Habitat measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

St. Lucie Habitat for Humanity, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The following methods and assumptions were used by Habitat in estimating fair value disclosures for financial instruments:

Cash and cash equivalents, accounts receivable, costs of homes under construction, accounts payable, notes payable, and line of credit – The carrying amounts reported in the Statement of Financial Position approximate fair values because of the short maturities of those instruments.

Mortgage loan receivable – The fair value of mortgage loan receivable is estimated by discounting expected future cash flows using a 7-9% rate of return.

Land held for development – The fair value of land held for development is estimated by management based on the current tax appraised values and other information compiled from industry experts, historical real estate transactions and the St. Lucie County property records.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as reported on the Statement of Financial Position, includes the following:

Checking	\$ 148,668
Petty Cash and Change Fund	708
Total Cash and Cash Equivalents	<u>\$ 149,376</u>

At June 30, 2018, Habitat had \$68,170 on deposit, all of which was insured by the Federal Deposit Insurance Corporation (FDIC).

St. Lucie Habitat for Humanity, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – FIXED ASSETS

An analysis of property and equipment for the year is as follows:

	July 1, 2017	Additions	Deletions	June 30, 2018
Builders Barn	\$ 348,129	\$ -	\$ -	\$ 348,129
Buildings and improvements	265,253	-	-	265,253
Leasehold Improvements	22,223	-	-	22,223
Computer equipment	31,462	-	-	31,462
Furniture and fixtures	4,939	-	-	4,939
Tools	-	237	-	237
Vehicles	56,997	-	-	56,997
Warehouse and construction	38,558	-	-	38,558
Total Fixed Assets	<u>767,561</u>	<u>237</u>	<u>-</u>	<u>767,798</u>
Less: accumulated depreciation	<u>(271,854)</u>	<u>(27,165)</u>	<u>-</u>	<u>(299,019)</u>
Total Fixed Assets, Net	<u>\$ 495,707</u>	<u>\$ (26,928)</u>	<u>\$ -</u>	<u>\$ 468,779</u>

Depreciation expense for the year was \$27,165.

NOTE 4 – LOANS RECEIVABLE

The activity of loans receivable is as follows:

Beginning balance, July 1, 2017	\$ 1,183,288
Mortgages issued	507,500
Principal payments received	(99,664)
Discount on mortgages issued	(261,214)
Amortization of mortgage discounts	58,999
Contractual amortized forgiveness of mortgages	<u>(24,660)</u>
Ending Balance, June 30, 2018	1,364,249
Less: Current portion	<u>127,000</u>
Other assets - Mortgages receivable	<u>\$ 1,237,249</u>

The mortgage discount rate for the year ended June 30, 2018 was 7.57%

NOTE 5 – LINE OF CREDIT

St. Lucie Habitat for Humanity, Inc. obtained a revolving line of credit with a bank, on June 1, 2017, to be drawn upon as needed, in the amount of \$200,000, with monthly interest payments due at a 5% interest rate. As of June 30, 2018, \$195,650 was drawn from the line of credit and the unused portion of the line of credit was \$4,350. The line of credit matures on June 1, 2020.

St. Lucie Habitat for Humanity, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – LOANS PAYABLE

Long-term debt at June 30, 2018 consisted of the following:

Loan payable to bank due in monthly principal and interest payments at a 4.95% interest rate, with a final payment due on August 2019.	\$ 5,693
Loan payable to bank due in monthly principal and interest payments at a 3.77% interest rate, with a final payment due on June 2022.	131,064
Loan payable to bank due in monthly principal and interest payments at a 3% interest rate, with a final payment due on November 2037.	<u>271,719</u>
Total	<u><u>\$ 408,476</u></u>

Maturities of long-term debt are as follows:

Due year ending June 30,	Principal
2019	\$ 20,121
2020	16,584
2021	16,286
2022	127,596
2023	11,803
Thereafter	<u>216,086</u>
Total	<u><u>\$ 408,476</u></u>

NOTE 7 – RELEASE OF RESTRICTED ASSETS

Net assets were released from grantor restrictions by incurring expenses satisfying the restricted purposes of the grant contract. A summary of temporary restricted assets released from restriction is as follows:

	2018
Purpose restriction accomplished:	
Neighborhood revitalization program	<u><u>\$ 30,000</u></u>

St. Lucie Habitat for Humanity, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – FUNCTIONAL EXPENSES

Expenses have been allocated between program expenses and supporting services as follows:

	Program Services		Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Family Support and Construction	ReStore		General Administrative	Fundraising		
Cost of homes	\$ 905,252	\$ -	\$ 905,252	\$ -	\$ -	\$ -	\$ 905,252
Salaries and wages	177,702	330,017	507,719	63,465	63,465	126,930	634,649
Discount amortization	261,214	-	261,214	-	-	-	261,214
Rent	-	135,480	135,480	-	-	-	135,480
Insurance	14,215	27,862	42,077	14,215	569	14,784	56,861
Cost of mortgages	52,503	-	52,503	-	-	-	52,503
Payroll taxes	13,712	25,464	39,176	4,897	4,897	9,794	48,970
Utilities	2,436	40,919	43,355	2,923	2,435	5,358	48,713
Interest	42,086	-	42,086	-	-	-	42,086
Travel	4,017	4,017	8,034	28,122	4,017	32,139	40,173
Office supplies	12,636	10,530	23,166	3,009	3,911	6,920	30,086
Employee benefits	7,216	15,032	22,248	6,013	1,804	7,817	30,065
Depreciation and amortization	10,866	5,433	16,299	10,866	-	10,866	27,165
Contractual mortgage forgiveness	22,017	-	22,017	-	-	-	22,017
Supplies	4,276	5,274	9,550	1,425	3,278	4,703	14,253
Professional services	-	-	-	7,973	1,993	9,966	9,966
Other expenses	7,171	-	7,171	897	897	1,794	8,965
Repairs and maintenance	-	4,794	4,794	3,922	-	3,922	8,716
Printing	1,897	2,168	4,065	271	1,083	1,354	5,419
Advertising	-	2,484	2,484	776	1,915	2,691	5,175
Taxes	-	5,056	5,056	-	-	-	5,056
Postage	331	409	740	110	254	364	1,104
Education and training	197	197	394	396	197	593	987
Food and entertainment	81	54	135	68	68	136	271
Totals	\$ 1,539,825	\$ 615,190	\$ 2,155,015	\$ 149,348	\$ 90,783	\$ 240,131	\$ 2,395,146

St. Lucie Habitat for Humanity, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, Management has evaluated events and transactions for potential recognition or disclosure through October 16, 2018, the date that the financial statements were available to be issued.