

HABITAT FOR HUMANITY OF CLAY & YANKTON COUNTIES

COMPILED FINANCIAL STATEMENTS

JUNE 30, 2017 & 2016

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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Habitat for Humanity of Clay & Yankton Counties
Yankton, South Dakota

Management is responsible for the accompanying financial statements of Habitat for Humanity of Clay & Yankton Counties (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 & 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to Habitat for Humanity of Clay & Yankton Counties.

Williams + Company PC
Certified Public Accountants

Yankton, South Dakota
October 23, 2017

HABITAT FOR HUMANITY OF CLAY & YANKTON COUNTIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 3,912	\$ 46,903
Operating Reserve - Wells Fargo	-	50,148
Certificate of Deposit - Wells Fargo	20,147	-
Inventory	309,692	50,739
Prepaid Insurance	1,307	-
Prepaid Expenses	160	-
Land Held for Future Construction	56,063	50,603
Current Portion of Loan Receivables - 1st Mortgage	80,815	84,870
Total Current Assets	<u>472,096</u>	<u>283,263</u>
PROPERTY, PLANT AND EQUIPMENT		
Buildings	195,000	195,000
Equipment	2,377	2,377
Accumulated Depreciation	(5,388)	(63)
Net Property, Plant and Equipment	<u>191,989</u>	<u>197,314</u>
OTHER ASSETS		
Loan Receivables - 1st Mortgage	1,190,370	1,230,053
Unamortized Loan Discounts	(723,501)	(686,244)
Loan Receivables, Net of Discount & Less Current Portion	<u>466,869</u>	<u>543,809</u>
Total Other Assets	<u>466,869</u>	<u>543,809</u>
Total Assets	<u>1,130,954</u>	<u>1,024,386</u>
CURRENT LIABILITIES		
Accounts Payable	-	684
Payroll Liabilities	2,490	1,343
Sales Tax Payable	35	-
Note Payable - HOF - South Dakota Hsg. #39	-	28,664
Homeowner - Escrow Liability	-	18,955
First National Bank - Line of Credit	24,000	-
Current Maturities of Long Term Debt	23,729	21,912
Total Current Liabilities	<u>50,254</u>	<u>71,558</u>
LONG TERM DEBT, LESS CURRENT MATURITIES		
Note Payable - 1st Dakota National Bank	142,648	175,414
Note Payable - Wells Fargo	15,144	17,544
Note Payable - South Dakota Hsg. #29	41,112	44,268
Note Payable - South Dakota Hsg. #30	36,928	40,000
Note Payable - South Dakota Hsg. #31	60,351	62,975
Note Payable - South Dakota Hsg. #32	60,994	64,188
Note Payable - South Dakota Hsg. #33	66,666	66,666
Note Payable - South Dakota Hsg. #34	66,666	66,666
Note Payable - South Dakota Hsg. #38	48,300	50,400
Note Payable - South Dakota Hsg. #39	53,167	-
Total Long Term Debt, Less Current Maturities	<u>591,976</u>	<u>588,121</u>
Total Liabilities	<u>642,230</u>	<u>659,679</u>
NET ASSETS		
Unrestricted	<u>488,724</u>	<u>364,707</u>
Total Liabilities and Net Assets	<u>\$ 1,130,954</u>	<u>\$ 1,024,386</u>

See Accompanying Notes and Accountants' Compilation Report

**HABITAT FOR HUMANITY OF CLAY & YANKTON COUNTIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 & 2016**

UNRESTRICTED NET ASSETS:	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUE:		
Contributions:		
Non Profits	\$ 3,175	\$ 4,575
Individuals	12,957	12,289
Businesses	2,043	1,150
Churches	3,689	1,750
ABWK	-	4,400
Miscellaneous income	7	262
Late Payment Fee	565	444
Grants	55,007	55,400
Interest Income - Other	13	30
Sale of Homes:		
Sales	151,385	84,680
Cost of Homes Sold	(156,233)	(81,772)
Special Events Revenue:		
Stud a Thon	29,545	9,132
Play House	699	626
Warehouse Sales	30,265	-
Carpenter Club	10,847	-
HFH of Minn - Bike Ride	13,782	30,096
Building Campaign	44,739	26,130
Miscellaneous Events	2,326	4,157
Non-Cash:		
Contributions In Kind	122,082	7,650
Interest Income - Mtg Discount	45,645	43,964
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Total Unrestricted Support and Revenue	\$ 372,538	\$ 204,963

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HABITAT FOR HUMANITY OF CLAY & YANKTON COUNTIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 & 2016

EXPENSES:	<u>2017</u>	<u>2016</u>
Rent	\$ 1,228	\$ 2,520
Leases	1,176	1,176
Accounting Fees	7,857	5,912
Advertising	250	661
Bank & Mortgage Service Fees	384	4,046
Staff Training & Development	3,740	1,689
Board Development	69	125
Memberships	810	805
Promotional	664	602
Permits and Fees	180	342
Insurance Expense	110	6,522
Postage and Printing	3,059	2,020
Office Expense	3,454	2,773
Payroll Tax Expense	8,958	3,493
Wages	65,871	45,360
Contributions to HFHI	5,750	6,750
Contributions to HFH-SD	725	200
Telephone	1,387	762
Utilities	3,434	-
Marketing	3,038	1,143
Grant Administrative Fee	340	-
Credit Reports	198	155
Property Taxes	511	-
Miscellaneous	249	288
Tool Repair and Maintenance	2,105	1,366
Depreciation	5,325	63
Travel Expense	792	347
Interest Expense	4,789	-
Other Fundraising Expenses:		
Fundraising	1,140	930
Fund Development	641	3,300
Resale Store	2,121	2,500
Habitat 500 Bike Ride	469	254
HFH-SD Annual Event	145	442
Non-Cash:		
Mortgage Discounts Issued	117,552	35,125
2nd Mortgage Forgiveness	-	11,125
 Total Expenses	<u>248,521</u>	<u>142,796</u>
INCREASE IN NET ASSETS	<u>124,017</u>	<u>62,167</u>
NET ASSETS, BEGINNING OF YEAR	<u>364,707</u>	<u>302,540</u>
NET ASSETS, END OF YEAR	<u>\$ 488,724</u>	<u>\$ 364,707</u>

See Accompanying Notes and Accountants' Compilation Report

HABITAT FOR HUMANITY OF CLAY & YANKTON COUNTIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Donors	\$ 404,769	\$ 256,446
Cash Paid to Suppliers and Employees	(478,778)	(205,172)
Interest Received	13	30
Net Cash Provided (Used) by Operating Activities	(73,996)	51,304
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments In Certificate of Deposits	(20,147)	-
Purchase of Property & Equipment	-	(197,377)
Net Cash (Used) by Investing Activities	(20,147)	(197,377)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Short Term Debt	(28,664)	-
Principal Payments on Long Term Debt	(49,332)	(19,194)
Proceeds from Short Term Debt	24,000	28,664
Proceeds from Long Term Debt	55,000	175,414
Net Cash Provided by Financing Activities	1,004	184,884
Net Increase (Decrease) in Cash and Cash Equivalents	(93,139)	38,811
Cash and Cash Equivalents at Beginning of Year	97,051	58,240
Cash and Cash Equivalents at End of Year	3,912	97,051
TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	124,017	62,167
Adjustments to Reconcile Net Income to Cash Provided (Used) by Operating Activities:		
Depreciation	5,325	63
Unamortized Loan Discounts	117,552	35,125
In Kind Contributions	(122,082)	(7,650)
Interest Income Mortgage Discount	(45,646)	(43,964)
Non-Cash Inventory Contributions	87,437	-
Decrease in Loans Receivable - 1st Mortgage	43,738	21,355
(Increase) Decrease in Inventory	(258,953)	11,553
(Increase) in Land Held for Future Construction	(5,460)	(50,603)
(Increase) in Prepaid Expenses	(1,467)	-
Increase (Decrease) in Accounts Payable	(684)	329
Increase in Accrued Liabilities	1,182	280
Increase (Decrease) in Homeowners Escrow Liability	(18,955)	22,649
Total Adjustments	(198,013)	(10,863)
Net Cash Provided (Used) by Operating Activities	\$ (73,996)	\$ 51,304

See Accompanying Notes and Accountants' Compilation Report

HABITAT FOR HUMANITY OF CLAY & YANKTON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 & 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business Operations

Habitat for Humanity of Clay & Yankton Counties is a South Dakota nonprofit corporation organized to build simple, decent homes in partnership with families in need. The Organization pursues its mission by building homes using donated supplies, volunteer labor, contributed funds, and contributed properties. The Organization then sells these homes at cost plus the value of the donated materials to selected, low-income families. The Organization provides these families with no-interest financing.

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization presents its financial statements in accordance with the FASB ASC 958, "Financial Statements of Not-for-Profit Organizations." Under the FASB ASC 958, the Organization 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. Since the Association has no temporarily or permanently restricted net assets, only one class is presented.

Revenue Recognition

The Organization recognizes revenue upon the closing on the sale of the home. When the Organization receives a non-interest bearing mortgage loan at closing, mortgage discount expense is recognized to reflect imputed interest on the note. The discount is amortized into income over the life of the mortgage.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory consists primarily of materials used in the building of homes and is valued at lower of cost or market using the first-in, first out method.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Exempt Organization Tax returns (Form 990) are no longer subject to federal examinations by tax authorities before 2013.

Accounting Estimates

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

Advertising Costs

Advertising and related cost are expensed as incurred. The costs expensed for June 30, 2017 and 2016 were \$250 and \$661 respectively.

Contributed Materials or Services

Unconditional promises to give are recognized as revenues when donor's commitments are received. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Unconditional promises to give are recorded in the financial statements as contributions receivable and revenue in the appropriate net asset category. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A donor restriction expires when a stipulated time restriction ends or when a purpose is accomplished.

HABITAT FOR HUMANITY OF CLAY & YANKTON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 & 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization recognizes as unrestricted revenues and expenses the estimated fair value of those contributed services that meet the following criteria:

1. The services received either create or enhance nonfinancial assets, or
2. The services received require specialized skills and are provided by individuals possessing those skills, and services received would typically need to be purchased if not provided by contribution.

The Organization utilized the time, talent, and energy of volunteers to complete their construction project. These services are not recorded on the financial statements since their time does not meet the criteria necessary for recognition. It is also common for cities, towns, and other municipalities to donate land for the construction project; however, this land has no fair value due to deed restrictions, both from the donating body and the Organization.

Noncash donations are recorded as contributions at their estimated fair values at the date of donation. If a donor makes a contribution to the Organization in the form of marketable securities, it is the policy of the organization to immediately liquidate the donation.

Noninterest Bearing Mortgages

The Organization holds mortgages on properties which are noninterest bearing. The home is collateral for each mortgage.

Noninterest bearing mortgages are stated at unpaid principal balances, net of discount. Management analyzes any borrower's failure to meet repayment terms, borrower's deteriorating financial condition or depreciation of underlying collateral to consider any impairment of the mortgage and any allowance for loan loss necessary. Past due status is determined based on contractual terms.

Noninterest bearing mortgages have been discounted at various rates based upon prevailing market rates at the inception of the mortgages reflecting the interest portion of the noninterest bearing mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages.

The Organization's homeowners also pay a monthly escrow amount from which the Organization pays property taxes and insurance.

Second Mortgages Receivable

In order to protect against the resale of the Organization's homes for a windfall profit, the Organization holds a second mortgage on every habitat home. As long as the homeowner renders timely payment on the first mortgage, the Organization will forgive a portion of the outstanding principal balance of the second mortgage over the course of the first mortgage term. The second mortgage is forgiven ratably over the life of the first mortgage, beginning on the anniversary date of the first mortgage and each anniversary date thereafter. The homeowners do not make payments on these second mortgages.

Construction in Progress

The Organization capitalizes costs associated with the acquisition and development of land, and costs incurred to build a home on that land, as construction in progress on the statements of financial position. Once the Organization sells the home, these costs are recognized as part of the costs of the homes. Due to the restrictions imposed by Habitat for Humanity International and donors of land, the Organization is only permitted to sell the land and home at specified prices. Therefore, on an annual basis the Organization reviews estimated costs to construct a home with the estimated sales price, and will reserve for any estimated costs in excess of the estimated sales price. For the years ended June 30, 2017 & 2016, the Organization did not have a reserve.

Depreciation

Property, plant and equipment are recorded at cost. Depreciation is provided based on the straight-line and accelerated methods over the estimated useful lives of the respective assets. Depreciation expense was \$5,325 and \$63, respectively, for the years ended June 30, 2017 and 2016.

Buildings & Improvements	10-39 years
Equipment	7-10 years
Office Equipment	5-7 years

HABITAT FOR HUMANITY OF CLAY & YANKTON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 & 2016

NOTE 2 SHORT TERM DEBT

	<u>2017</u>	<u>2016</u>
Short-term debt consists of the following at June 30, 2017:		
Housing Opportunity Funds - South Dakota Housing Development Authority - maximum borrowing limit \$55,000, including interest rate at 0%, maturing June 29, 2017, secured by property.	\$ -	\$ 28,664
First National Bank of Omaha - Line of Credit with borrowing limit of \$24,000, including interest rate at 4%, maturing September 18, 2017, secured by corporate assets.	24,000	-
	\$ 24,000	\$ 28,664

NOTE 3 LONG TERM DEBT LESS CURRENT MATURITIES

Long-term debt consists of the following at June 30, 2017:		
Note Payable - First Dakota National Bank - due in 4 annual payments of \$11,839 and one balloon payment of \$119,295, including interest rate at 3.0%, maturing July 1, 2021, secured by property.	\$ 142,648	\$ 175,414
Note Payable - South Dakota Housing Development Authority - due in annual payments of \$3,072, including interest rate at 0%, maturing March 1, 2031, secured by property.	40,000	43,072
Note Payable - South Dakota Housing Development Authority - due in annual payments of \$3,156, including interest rate at 0%, maturing September 1, 2031, secured by property.	44,268	47,424
Note Payable - Wells Fargo Bank - due in monthly payments of \$2,400, including interest rate at 0%, maturing June 1, 2024, secured by property.	17,544	19,944
Note Payable - South Dakota Housing Development Authority - due in annual payments of \$2,624, including interest rate at 0%, maturing April 1, 2042, secured by property.	62,975	65,599
Note Payable - South Dakota Housing Development Authority - due in annual payments of \$3,226, including interest rate at 0%, maturing September 1, 2036, secured by property.	64,204	67,414
Note Payable - South Dakota Housing Development Authority - due in annual payments of \$2,667, including interest rate at 0%, maturing July 1, 2042, secured by property.	69,333	69,333
Note Payable - South Dakota Housing Development Authority - due in annual payments of \$2,667, including interest rate at 0%, maturing July 1, 2042, secured by property.	69,333	69,333
Note Payable - South Dakota Housing Development Authority - due in annual payments of \$2,100, including interest rate at 0%, maturing August 1, 2040, secured by property.	50,400	52,500
Note Payable - South Dakota Housing Development Authority - due in annual payments of \$1,833, including interest rate at 0%, maturing December 1, 2046, secured by property.	55,000	-
Long-Term Notes Payable	615,705	610,033
Less Current Maturities	(23,729)	(21,912)
Total Long Term Debt, Less Current Maturities	\$ 591,976	\$ 588,121

HABITAT FOR HUMANITY OF CLAY & YANKTON COUNTIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 & 2016

NOTE 3 LONG TERM DEBT LESS CURRENT MATURITIES

Future principal maturities of long-term debt are as follows:

2018	\$ 23,729
2019	31,276
2020	31,749
2021	143,040
2022	23,745
Thereafter	<u>362,166</u>
	<u>\$ 615,705</u>

NOTE 4 LEASE OBLIGATIONS

The Organization leased office equipment under a non-cancellable operating lease. Total rent expense for 2017 & 2016 was \$1,176 and \$1,176 respectively.

NOTE 5 PROPERTY HELD FOR SALE

During the year ended June 30, 2017, the Organization had land held for resale for future sites of homes to be constructed. This land is reported at cost.

NOTE 6 FUNCTIONAL EXPENSES

Functional expenses are categorized as follows:

	<u>2017</u>	<u>2016</u>
Program Expenses	\$ 197,267	\$ 167,019
Management & General Expenses	\$ 35,549	\$ 37,433
Fundraising	\$ 15,705	\$ 20,166

NOTE 7 SUBSEQUENT EVENT

The Company has evaluated subsequent events through October 23, 2017, the date which the financial statements were available to be issued.