

**HABITAT FOR HUMANITY-
ST. TAMMANY WEST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity - St. Tammany West

We have audited the accompanying statement of financial position of Habitat for Humanity – St. Tammany West (a nonprofit organization) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity – St. Tammany West as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



December 9, 2008

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HABITAT FOR HUMANITY-ST. TAMMANY WEST
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 241,893
Receivables	602,811
Mortgage notes receivable-current portion, net of unamortized discount (See NOTE B)	359,918
Building supplies inventory	36,262
Other assets	<u>48,631</u>
Total current assets	1,289,515
CONSTRUCTION IN PROGRESS	2,385,270
PROPERTY AND EQUIPMENT	
Land	468,148
Buildings and improvements	996,633
Trucks	171,797
Equipment	<u>134,834</u>
	1,771,412
Less accumulated depreciation and amortization	<u>(237,420)</u>
Total property and equipment	1,533,992
LONG-TERM ASSETS	
Land for future homesites	150,235
Long-term portion of mortgage notes receivable, net of unamortized discounts (See NOTE B)	<u>2,598,525</u>
Total long-term assets	<u>2,748,760</u>
TOTAL ASSETS	<u><u>\$ 7,957,537</u></u>

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

HABITAT FOR HUMANITY-ST. TAMMANY WEST
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 210,784
Accrued payroll liabilities	20,325
Sales taxes payable	4,158
Line of credit	100,000
Current portion of notes payable	130,250
Other current liabilities	<u>57,788</u>
Total current liabilities	523,305
LONG-TERM LIABILITIES	
Long-term portion of notes payable	<u>716,711</u>
Total liabilities	1,240,016
NET ASSETS	
Unrestricted	
Undesignated	6,057,306
Temporarily restricted	<u>660,215</u>
Total net assets	<u>6,717,521</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,957,537</u></u>

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

**HABITAT FOR HUMANITY - ST. TAMMANY WEST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Sales of houses, net of unamortized discounts	\$ 1,653,453	\$ -	\$ 1,653,453
Contributed revenue - donated goods	594,524	-	594,524
Sponsorships and grants	763,399	630,000	1,393,399
Contributed services, property and material	44,309	11,290	55,599
Contributions	148,814	-	148,814
Fundraising	210,928	-	210,928
Interest income	195,308	-	195,308
Other sources	16,588	-	16,588
Net assets released from restrictions:			
Satisfaction of program restrictions	230,828	(230,828)	-
	<u>3,858,151</u>	<u>410,462</u>	<u>4,268,613</u>
Expenses			
Program services			
Housing	4,365,112	-	4,365,112
Supporting services			
General & administrative	317,980	-	317,980
Home Store/ReStore/warehouse	445,363	-	445,363
Fundraising	208,444	-	208,444
	<u>5,336,899</u>	<u>-</u>	<u>5,336,899</u>
CHANGES IN NET ASSETS	(1,478,748)	410,462	(1,068,286)
NET ASSETS - BEGINNING OF THE PERIOD	<u>7,536,054</u>	<u>249,753</u>	<u>7,785,807</u>
NET ASSETS - END OF THE PERIOD	<u>\$ 6,057,306</u>	<u>\$ 660,215</u>	<u>\$ 6,717,521</u>

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

**HABITAT FOR HUMANITY - ST. TAMMANY WEST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

	Program Services	Supporting Services			Total
	Housing	General & Administrative	Home Store/ Restore/ Warehouse	Fundraising	
WAGES	\$ 416,337	\$ 166,879	\$ 166,484	\$ 114,355	\$ 864,055
OCCUPANCY					
Interest	-	138	34,579	-	34,717
Utilities	12,702	15,619	20,586	4,333	53,240
Insurance	7,630	61	7,429	3,848	18,968
Repairs and Maintenance	5,178	3,808	20,306	424	29,716
	25,510	19,626	82,900	8,605	136,641
OPERATING					
Direct construction costs	3,549,166	-	-	-	3,549,166
Costs of goods sold	-	-	69,587	-	69,587
Supplies and general	56,854	7,785	12,378	4,780	81,797
Truck expenses	30,463	-	9,964	-	40,427
Other operating costs	72,340	4,058	15,386	2,067	93,851
Fundraising costs	-	-	-	32,110	32,110
Family services coordination	19,839	-	-	-	19,839
Volunteer costs	104,718	-	-	-	104,718
Travel and promotion	874	10,619	12,266	21,083	44,842
	3,834,254	22,462	119,581	60,040	4,036,337
ADMINISTRATIVE					
Payroll taxes and benefits	79,765	23,401	34,006	12,396	149,568
Postage	536	1,854	-	1,457	3,847
Subcontracting	4,280	-	-	-	4,280
Computer supplies/repairs	-	1,421	-	-	1,421
Professional fees	4,430	40,944	-	11,591	56,965
Dues and subscriptions	-	2,028	-	-	2,028
	89,011	69,648	34,006	25,444	218,109
DEPRECIATION	-	39,365	42,392	-	81,757
Total	<u>\$ 4,365,112</u>	<u>\$ 317,980</u>	<u>\$ 445,363</u>	<u>\$ 208,444</u>	<u>\$5,336,899</u>

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

**HABITAT FOR HUMANITY - ST. TAMMANY WEST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (1,068,286)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	81,757
Sales of houses	(1,653,453)
Changes in assets and liabilities:	
(Increase) decrease in receivable	(427,011)
(Increase) decrease in building supplies inventory	12,360
(Increase) decrease in construction in progress	(218,959)
(Increase) decrease in other assets	20,054
(Increase) decrease in deposits	100
Increase (decrease) in accounts payable	129,786
Increase (decrease) in payroll liabilities	2,553
Increase (decrease) in sales taxes payable	(705)
Increase (decrease) in other current liabilities	<u>40,385</u>
Net cash used in operating activities	(3,081,419)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of property	793,730
Proceeds from sale of investment property	459,922
Purchase of fixed assets	<u>(67,393)</u>
Net cash provided by investing activities	1,186,259

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

**HABITAT FOR HUMANITY - ST. TAMMANY WEST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	100,000
Proceeds on issuance of debt	<u>9,320</u>
Net cash provided by financing activities	<u>109,320</u>
Increase (decrease) in cash and cash equivalents	(1,785,840)
CASH AND CASH EQUIVALENTS-BEGINNING OF THE PERIOD	<u>2,027,733</u>
CASH AND CASH EQUIVALENTS-END OF THE PERIOD	<u><u>\$ 241,893</u></u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the period for interest	<u><u>\$ 34,717</u></u>
 NON CASH INVESTING TRANSACTIONS	
Directly issued mortgage notes receivable from Organization to homeowners for the sale of new houses	<u><u>\$ 2,830,213</u></u>
Acquiring property by assuming debt	<u><u>\$ 13,643</u></u>

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

HABITAT FOR HUMANITY – ST. TAMMANY WEST
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity – St. Tammany West (the “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, or refurbishing existing structures. These homes, located in Western 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.

Contribution Recognition

The Organization is required to record contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, “*Accounting for Contributions Received and Contributions Made.*” Under SFAS No. 116, 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 assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period 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 not 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.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements of Not-for-Profit Organizations.*” Under SFAS No. 117, 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.

Cash and Cash Equivalents

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

Allowance for Bad Debts

The Organization uses the direct write-off method to provide for uncollectible accounts. 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.

HABITAT FOR HUMANITY – ST. TAMMANY WEST
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Home Store and Restore Inventory

Statement of Financial Accounting Standards (SFAS) No. 116 requires that contributions be recognized as inventory when received and carried at fair value. Donations of Home Store and ReStore items are not valued nor is an inventory of items used for financial reporting. This accounting treatment is based on FAS 116, #19: "A major uncertainty about the existence of value may indicate that an item received or given should not be recognized," and APB 29, #26: "Fair value should be regarded as not determinable within reasonable limits if major uncertainties exist about the realizability of the value."

Building Supplies Inventory

In 2005, the Organization received a donation of house frames in a box from Habitat International to be used in the construction of new homes. In accordance with the Statement of Financial Accounting Standards (SFAS) No. 116, the contribution was recognized as inventory when received and carried at fair value. At June 30, 2008, \$216 of the donated house frames is still in the Organization's inventory.

Property and Equipment

Property and equipment are stated at cost, with the exception of donated items, which are stated at fair market value at date of donation. Maintenance and repairs are charged to occupancy when incurred. Betterments and renewals are capitalized. The Organization uses the straight-line depreciation method over the useful lives of its property. Buildings and improvements are depreciated over 5 to 30 years. Vehicles and equipment are being depreciated over 5 years. Depreciation expense for the year ended June 30, 2008, was \$81,757.

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 items, which are stated at fair market value at the date of donation.

The Organization operates out of a trailer that is owned by Habitat for Humanity – St. Tammany East, a related party. Habitat for Humanity – St. Tammany East is allowing the Organization to use the trailer for as long as necessary without expectation of any compensation. Rent on a comparable trailer is estimated to be approximately \$4,600 per year. However, since recording the non-cash donation and rent expense would not affect the financial statements of the Organization, management has decided not to record the use of this asset on the financial statements.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- 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.

All contributions are considered available for unrestricted use, unless specifically restricted by donors. All expenses are reported as changes in unrestricted net assets.

HABITAT FOR HUMANITY – ST. TAMMANY WEST
NOTES TO FINANCIAL STATEMENTS

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

The Organization was formed in 1981 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 income taxes under Section 501(c) 3 of the Internal Revenue Code.

Donated Materials and Services

Statement of Financial Accounting Standards (SFAS) No. 116 requires that contributions be recognized as revenue when received. During the year ended June 30, 2008, the Organization recognized contributed merchandise with a fair value of \$594,524 as contribution revenue. These contributions require program related expenses/processes to be accomplished by volunteers before it reaches its point of sale.

The value of contributed services, properties and materials meeting the requirements for recognition in the financial statements for the year ended June 30, 2008, amounted to \$55,599. In addition, a substantial number of volunteers have contributed significant amounts of their time in the Organization's program services. However, these volunteer services do not always meet all of the applicable requirements of SFAS No. 116. The Organization has recorded \$104,718 as expense in the financial statements for these volunteered services.

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.

Construction in Progress

Construction in progress represents all direct material, labor, land and infrastructure costs incurred to construct family housing per Statement of Accounting for Costs of Real Estate Projects No.67 (SFAS 67). Revenue is recognized under the full accrual method per Statement of Accounting Standards No. 66 (SFAS 66) when the mortgage is transferred to the homeowner.

NOTE B – 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 15-30 years at zero percent interest. At June 30, 2008, one hundred thirty-four non-interest bearing loans were outstanding. As of June 30, 2008, two leases were recognized under Statements of Financial Accounting Standards (SFAS) 13 and 98.

As of June 30, 2008, the face value of mortgage notes receivable was as follows:

Mortgage notes receivable	\$6,435,673
Less unamortized discount	3,477,230
Less current maturities	359,918
Mortgage notes receivable long-term	<u>\$2,598,525</u>

**HABITAT FOR HUMANITY – ST. TAMMANY WEST
NOTES TO FINANCIAL STATEMENTS**

NOTE B – MORTGAGE NOTES RECEIVABLE, continued

Management feels no provision for loan losses is required because the fair market value of the homes exceeds the related outstanding mortgage note balances, and, in the past, the Organization has been able to find other suitable purchasers for the properties.

The Organization records its non-interest bearing loans at fair market value. For the year ended June 30, 2008, the Organization discounted its mortgage notes receivable using the interest method and a crediting interest rate of 8.00 . For the year ended June 30, 2008, a discount of \$1,599,085 was recorded on mortgage notes issued as a reduction to mortgage notes receivable on the statement of net assets and sales of houses on the statement of activities. Amortization of the mortgage receivable discount is recorded as interest income over the life of the note. For the year ended June 30, 2008, amortization of discounted mortgage notes of \$171,132 was recorded and is included as interest income on the statement of activities. As of June 30, 2008, the long-term portion of mortgage notes receivable is shown net of an unamortized discount on mortgage notes receivable of \$3,477,230.

NOTE C – CONSTRUCTION IN PROGRESS

Costs on uncompleted projects of \$2,385,270 are included as an asset at June 30, 2008. These costs consist of land, labor, materials, and supplies related to the construction of future homes that will be made available for sale to low-income families. At the time of transfer of ownership, the revenue from the sale of the home and the related costs are included in the statement of activities.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed from organizations that sponsor the building of new homes and grants from federal housing programs, and also of amounts due from homeowners on whose behalf the Organization has paid closing costs and other expenses incurred in the acquisition of homes. Management estimates that all are collectible as of June 30, 2008. Receivables were as follows:

Grants	\$ 592,087
Due from Habitat International	1,842
St. Tammany Housing Partnership	4,890
Other	3,992
	<u>\$ 602,811</u>

NOTE E- 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 \$100,000. At June 30, 2008, the Organization had \$363,929 in deposits (collected bank balances). These deposits are secured from risk by \$151,395 of federal deposit insurance. The uninsured amount at June 30, 2008, is \$212,534. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. The Organization has no custodial credit risk policy.

NOTE F – RESTRICTIONS ON NET ASSETS

At June 30, 2008, temporarily restricted net assets are available for the following purposes:

Contributed Property	\$ 31,611
Housing Resource	78,604
Grants	550,000
	<u>\$ 660,215</u>

HABITAT FOR HUMANITY – ST. TAMMANY WEST
NOTES TO FINANCIAL STATEMENTS

NOTE F – RESTRICTIONS ON NET ASSETS, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as specified by the donor:

Purpose Restrictions Accomplished:

Restrictions released by donor during year ended June 30, 2008 \$ 230,828

NOTE G- CONCENTRATIONS OF REVENUES

To assist in the housing needs of families affected by Hurricanes Katrina and Rita, Habitat for Humanity International implemented Operation Home Delivery. This assistance includes funds for operations, staffing, purchase of land and infrastructure, and building homes for low income individuals. During the year ended June 30, 2008, the Organization received \$245,850 for this project, and this represents 20% of sponsorship/grant revenues for the period.

NOTE H – LINE OF CREDIT

The Organization has a line of credit agreement with Parish National Bank which permits borrowings up to \$1,000,000 at 0.001%. The line matures in April 2009, and is secured by mortgages. At June 30, 2008, the Organization had \$100,000 outstanding under the above agreement.

NOTE I- NOTES PAYABLE

At June 30, 2008, the Organization was indebted to the following:

Holder	Maturity Date	Interest Rate	Secured By	Total	Current	Long-Term
GMAC Financing Company	7/10/2010	0.00%	2007 Chevy Truck	\$ 12,113	\$ 6,057	\$ 6,056
HFHI	10/1/2008	0.00%	Unsecured	2,528	2,528	-
HFHI	3/1/2008	0.00%	Unsecured	42,314	42,314	-
Parish National Bank	5/28/2035	4.62%	Real Estate	732,764	39,982	692,782
Local Initiatives Support Corporation	7/19/2008	0.00%	Unsecured	33,250	33,250	-
Sunburst Shutters of New Orleans	9/23/2013	6.95%	Forklift	13,008	3,807	9,201
Chase	3/15/2013	0.00%	Unsecured	10,984	2,312	8,672
				<u>\$ 846,961</u>	<u>\$ 130,250</u>	<u>\$ 716,711</u>

HABITAT FOR HUMANITY – ST. TAMMANY WEST
NOTES TO FINANCIAL STATEMENTS

NOTE I– NOTES PAYABLE, continued

As of June, 30, 2008, monthly payments on the \$732,764 Parish National Bank loan consist of the monthly interest accrued on the outstanding balance. Per the loan agreement, principal payments are not required to begin until July 2008. However, the bank did not request principal payments until September 2008. Thus, the current amount due in the subsequent period for this loan represents 10 months of payments.

A schedule of maturities is as follows:

2008-2009	\$	130,250
2009-2010		60,154
2010-2011		54,098
2011-2012		51,878
2012-2013		49,713
Beyond 2013		500,868
	\$	<u>846,961</u>

Total interest expense for the year ended June 30, 2008, was \$34,717.

NOTE J – SUBSEQUENT EVENTS

On October 22, 2008, the Organization sold the Home Store building located in Covington. The ReStore building in Mandeville will be expanded to incorporate both the Home Store and the ReStore. The expansion is expected to be completed by March 2009.