

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
**dba TRINITY HABITAT FOR HUMANITY**  
FINANCIAL STATEMENTS

For the Years Ended  
December 31, 2017 and 2016  
and  
Independent Auditor's Report

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**INDEPENDENT AUDITOR'S REPORT**

To the Audit Committee  
Fort Worth Area Habitat for Humanity, Inc.  
dba Trinity Habitat for Humanity  
Fort Worth, Texas

We have audited the accompanying financial statements of the Fort Worth Area Habitat for Humanity (a non-profit Texas corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of financial position of the Fort Worth Area Habitat for Humanity, Inc. as of December 31, 2017 and 2016, and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.



C. R. Parr & Associates, P.C.  
Hurst, Texas  
September 17, 2018

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
**dba TRINITY HABITAT FOR HUMANITY**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

	2017	2016
<b>CURRENT ASSETS</b>		
Cash	\$ 1,493,653	\$ 1,227,834
Cash, restricted	256,910	254,818
Accounts receivable	99,837	114,201
Current maturities of mortgage loans receivable, net	1,063,569	1,017,211
ReStore purchased inventory, at cost	338,041	312,647
ReStore donated inventory, at fair value	364,591	308,497
Construction in progress	1,483,737	742,768
<b>TOTAL CURRENT ASSETS</b>	<b>5,100,338</b>	<b>3,977,976</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>4,163,606</b>	<b>4,269,030</b>
<b>OTHER ASSETS</b>		
Non-Interest bearing mortgages receivable, net of current portion	15,508,669	15,052,406
Interest bearing mortgage receivable	41,631	42,196
Unamortized discount on non-interest bearing mortgages	(9,644,851)	(9,374,268)
Real estate inventory, land, site development and houses	1,886,619	2,244,877
<b>TOTAL OTHER ASSETS</b>	<b>7,792,068</b>	<b>7,965,211</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,056,012</b>	<b>\$ 16,212,217</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable-current portion	\$ 683,664	\$ 708,590
Accounts payable & accrued expenses	124,251	253,021
Escrow-mortgage holders	45,011	(44,079)
Deferred revenue	-	73,361
<b>TOTAL CURRENT LIABILITIES</b>	<b>852,926</b>	<b>990,893</b>
<b>NOTES PAYABLE, NET OF CURRENT PORTION</b>	<b>72,085</b>	<b>97,144</b>
<b>TOTAL LIABILITIES</b>	<b>925,011</b>	<b>1,088,037</b>
<b>NET ASSETS</b>		
Unrestricted-undesignated	15,874,091	14,869,362
Temporarily restricted	256,910	254,818
<b>TOTAL NET ASSETS</b>	<b>16,131,001</b>	<b>15,124,180</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,056,012</b>	<b>\$ 16,212,217</b>

The accompanying notes are an integral part of these statements

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
**dba TRINITY HABITAT FOR HUMANITY**  
**Statements of Activities and Changes in Net Assets**  
**For the Years ended December 31, 2017 and 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Transfer to homeowners	\$ 1,468,277	\$ -	\$ 1,468,277	\$ 1,084,307
Interest income	556,137	-	556,137	491,776
Contributions	3,228,839	257,510	3,486,349	2,905,156
Contributions in kind	596,299	-	596,299	705,133
Special events	20,275	-	20,275	34,628
ReStore revenues and contributions	3,797,300	-	3,797,300	3,768,197
Other income	420,503	-	420,503	315,830
Net assets released from restrictions	<u>255,418</u>	<u>(255,418)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>10,343,048</u>	<u>2,092</u>	<u>10,345,140</u>	<u>9,305,027</u>
<b>EXPENSES</b>				
Construction and Home Ownership Program	5,003,715	-	5,003,715	4,018,258
ReStore	3,134,816	-	3,134,816	3,022,663
Development	501,564	-	501,564	524,017
Management and administrative	<u>698,224</u>	<u>-</u>	<u>698,224</u>	<u>606,532</u>
<b>TOTAL EXPENSES</b>	<u>9,338,319</u>	<u>-</u>	<u>9,338,319</u>	<u>8,171,470</u>
<b>CHANGE IN NET ASSETS</b>	1,004,729	2,092	1,006,821	1,133,557
<b>NET ASSETS, December 31, 2016</b>	<u>\$ 14,869,362</u>	<u>\$ 254,818</u>	<u>\$ 15,124,180</u>	<u>\$ 13,990,623</u>
<b>NET ASSETS, December 31, 2017</b>	<u>\$ 15,874,091</u>	<u>\$ 256,910</u>	<u>\$ 16,131,001</u>	<u>\$ 15,124,180</u>

The accompanying notes are an integral part of these statements

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
**dba TRINITY HABITAT FOR HUMANITY**  
**Statements of Cash Flows**  
**For the Years ended December 31, 2017 and 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,006,821	\$ 1,133,557
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Loss (Gain) on Disposal of Property and Equipment	(271,812)	(212,412)
Depreciation	190,927	181,247
Discount on mortgages issued	813,299	662,552
Mortgage discount amortization	(554,975)	(491,776)
Decrease (Increase) in:		
Accounts receivable	14,364	(20,547)
Inventory	(81,488)	(48,993)
Land held for future development	358,258	(301,039)
Homes under construction or held for sale	(740,969)	(117,915)
(Decrease) Increase in:		
Accounts payable and accrued liabilities	(63,392)	(13,076)
Escrow - mortgage holders	89,090	(63,983)
Deferred revenue	(73,361)	73,361
Total adjustments	(320,059)	(352,581)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>686,762</b>	<b>780,976</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
New mortgage notes issued	(1,468,277)	(1,084,307)
Principal payments received on mortgage notes	693,746	655,426
Proceeds from pay offs	219,356	222,292
Proceeds from the sale of property and equipment	321,765	344,850
Purchase of property and equipment	(135,456)	(664,900)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(368,866)</b>	<b>(526,639)</b>
<b>CASH FLOWS (USED) BY FINANCING ACTIVITIES</b>		
Proceeds of notes payable borrowing	13,694	-
Payments on notes payable	(63,679)	(572,695)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(49,985)</b>	<b>(572,695)</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	267,911	(318,358)
<b>CASH, Beginning of Year</b>	1,482,652	1,801,010
<b>CASH, End of Year</b>	<b>\$ 1,750,563</b>	<b>\$ 1,482,652</b>
<b>SUPPLEMENTAL DISCLOSURE OF NON CASH ACTIVITIES</b>		
Included in operating activities are donated building materials, supplies, and land of \$596,299 for 2017 and \$705,133 for 2016		

The accompanying notes are an integral part of these statements

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
**dba TRINITY HABITAT FOR HUMANITY**  
**Statements of Functional Expenses**  
**For the Years ended December 31, 2017 and 2016**

	Program Services		Support Services		2017	2016
	Construction Homeownership	ReStore	Development	Management & General		
Advertising	\$ 3,725	\$ 28,370	\$ 33,479	\$ 5,242	\$ 70,816	\$ 29,739
Bank and credit card fees	-	32,864	7,034	5,084	44,982	48,814
Building material & supplies	2,102,068	1,913,205	-	-	4,015,273	3,617,590
Contract labor	-	-	-	595	595	-
Computers	27,523	11,993	19,415	16,853	75,784	70,277
Credit reports	20,179	-	-	-	20,179	17,677
Depreciation	-	-	-	190,927	190,927	181,247
Dues, fees and subscriptions	14,934	6,615	6,773	76,700	105,022	92,479
Insurance	18,862	11,100	1,800	54,840	86,602	87,885
Interest expense	(29)	12,097	-	10,410	22,478	28,350
Miscellaneous	11,677	2,617	4,206	16,143	34,643	31,445
Mortgage discounts	825,559	-	-	-	825,559	528,835
Office expenses	8,255	8,484	3,818	4,894	25,451	26,978
Postage	4,611	112	7,144	1,848	13,715	18,799
Printing and promotions	857	993	40,807	96	42,753	43,921
Professional fees	-	-	-	28,842	28,842	25,139
Property taxes	-	4,155	-	-	4,155	4,219
Rental	18,074	14,572	1,398	2,854	36,898	32,296
Repairs - Preserve a Home	356,099	-	-	-	356,099	141,476
Repairs and maintenance	66,860	8,168	1,495	3,486	80,009	80,007
Salaries & benefits	1,272,311	947,291	284,020	260,049	2,763,671	2,609,318
Security	3,872	4,394	333	675	9,274	5,553
Seminars	1,199	2,440	4,754	535	8,928	3,375
Special events	65,968	-	53,827	-	119,795	134,852
Stipends	-	-	1,400	-	1,400	1,700
Telephone	19,448	22,090	5,063	6,026	52,627	51,753
Tithe	50,000	-	-	-	50,000	40,000
Tools	12,402	372	-	-	12,774	12,095
Travel and auto	65,718	49,383	20,314	1,826	137,241	104,511
Utilities and trash removal	26,346	52,689	4,484	9,090	92,609	94,423
Volunteer appreciation	7,197	812	-	1,209	9,218	6,717
	<u>\$ 5,003,715</u>	<u>\$ 3,134,816</u>	<u>\$ 501,564</u>	<u>\$ 698,224</u>	<u>\$ 9,338,319</u>	<u>\$ 8,171,470</u>

The accompanying notes are an integral part of these statements

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
**dba TRINITY HABITAT FOR HUMANITY**  
**Notes to Financial Statements**  
**For the Years ended December 31, 2017 and 2016**

**1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

Fort Worth Area Habitat for Humanity, Inc. (dba Trinity Habitat for Humanity) (“Habitat”) is a non-profit corporation incorporated on July 18, 1988. Habitat is an affiliate of Habitat for Humanity International, Inc. (“International”), a non-denominational Christian non-profit organization whose purpose is to create decent, affordable housing for low-income families, and to make decent shelter a matter of conscience with people everywhere. Although International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat serves families in Tarrant, Wise, Johnson, Parker and Palo Pinto counties and, when in partnership, across the state.

**Basis of Presentation**

The corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets based on donor specifications. There are no permanently restricted net assets at December 31, 2017.

**Basis of Accounting**

The accounts are maintained and financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, Habitat’s financial statements reflect significant receivables, payables, and other liabilities.

**Cash and Cash Equivalents**

Habitat considers cash to be cash on hand, cash in bank demand accounts, as well as money market accounts. Cash, restricted, is cash deposited specifically for fulfilling grant restrictions.

**Recognition of Donor Restrictions**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Fair Value of Financial Instruments**

The carrying value of Habitat’s financial instruments, not otherwise disclosed herein, is comparable to the fair value due to the short-term nature of these financial instruments.

**Inventory**

Inventories represent donated building materials and other merchandise available for sale in Habitat’s ReStores. Purchased inventory is valued at average cost, determined by first in, first out. In 2017 and 2016, donated and deconstruction material is valued at fair value of \$ 364,591 and \$ 308,497, respectively.



**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
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**Notes to Financial Statements**  
**For the Years ended December 31, 2017 and 2016**

**1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Real estate inventory consists of land and homes in various stages of construction. Real estate inventory is valued at cost.

**Income Taxes**

Habitat is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable deduction under Section 170(b)(1)(A). It has been classified as an organization other than a private foundation. Income from certain activities not directly related to Habitat's tax-exempt purpose is subject to taxation as unrelated business income. A portion of Habitat's ReStore sales is subject to tax on unrelated business income. There was no income tax expense for 2017 or 2016.

The accounting standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Habitat may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Habitat 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.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions are recorded at fair value. All donor-restricted support is reported as an increase in temporarily restricted net assets. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Temporarily restricted contributions that are received and expended with the same fiscal year are reported as unrestricted resources.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. In 2017 and 2016, there were no unconditional promises to give. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
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**Notes to Financial Statements**  
**For the Years ended December 31, 2017 and 2016**

**1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Donated Goods and Services**

A number of corporations and individuals donate professional services and goods. The value is reflected as a contribution to unrestricted net assets in these financial statements at fair value when readily determinable.

**Grants and Contracts**

Habitat records grant revenues over the period of the award and the provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred.

**Compensated Absences**

Employees of Habitat are entitled to paid vacation and paid sick days, depending on the length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statement. Habitat's policy is to recognize the cost of compensated absences when actually paid to the employee.

**Functional Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based principally on estimates made by management.

**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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Risk**

Habitat maintains its cash balances in several banks in Fort Worth, Texas. The Federal Deposit Insurance Corporation (FDIC) secures all depositor accounts up to \$250,000 per depositor. The maximum loss that would have resulted for that risk totaled \$ 507,510 at the end 2017 and \$ 333,776 at the end of 2016 for the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance. Management has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk due to cash.

**Advertising Costs**

Advertising is recorded as an expense when incurred. For the years ended December 31, 2017 and 2016, advertising expense was approximately \$ 70,816 and \$ 29,739, respectively.

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
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**Notes to Financial Statements**  
**For the Years ended December 31, 2017 and 2016**

**1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**Fundraising Costs**

Fundraising is recorded as an expense when incurred. For the year ended December 31, 2017 fundraising expense was approximately \$ 501,564. For the year ended December 31, 2016 fundraising was approximately \$ 525,023, including \$ 31,698 of capital campaign expenses.

**Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**2. MORTGAGES RECEIVABLE**

Mortgages receivable at December 31, 2017 consists of 501 non-interest bearing and one interest bearing mortgage which are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgages have an original maturity of 15-40 years with maturity dates beginning in 2018 through 2056.

In 2017, Habitat sold and closed on 34 homes which resulted in approximately \$ 1,468,277 of mortgage receivables. In 2016, Habitat sold and closed on 33 homes which resulted in approximately \$ 1,084,307 of mortgage receivables. Habitat recognized losses on the sale of these homes of \$ 614,998 in 2017 and \$631,242 in 2016.

**3. FAIR VALUE MEASUREMENTS**

The FASB guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (1) independent, (2) knowledgeable, (3) able to transact and (4) willing to transact.

The guidance for fair value measurements for financial assets and financial liabilities requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability.

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
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**Notes to Financial Statements**  
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**3. FAIR VALUE MEASUREMENTS (cont.)**

Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the guidance established a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participant would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets measured at fair value, as well as the general classification of these assets pursuant to the valuation hierarchy, is set forth below:

	Fair Value			
	Measurements at Reporting Date Using			
Assets Measured at Fair Value December 31	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>December 31, 2017</u>				
Non-Interest bearing mortgages receivable	\$ 16,572,238	\$ -	\$ -	\$ 16,572,238
Less: Unamortized discount	(9,644,851)	-	-	(9,644,851)
Net	<u>\$ 6,927,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,927,387</u>
<u>December 31, 2016</u>				
Non-Interest bearing mortgages receivable	\$ 16,069,617	\$ -	\$ -	\$ 16,069,617
Less: Unamortized discount	(9,374,268)	-	-	(9,374,268)
Net	<u>\$ 6,695,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,695,349</u>

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
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**Notes to Financial Statements**  
**For the Years ended December 31, 2017 and 2016**

**3. FAIR VALUE MEASUREMENTS (cont.)**

Non-interest-bearing mortgages receivable and unamortized discount are classified within Level 3 of the valuation hierarchy. Habitat obtains these values by taking into account the following assumptions: (1) unamortized discount rate is the interest rate provided each year by International (7.57% in 2017 and 7.48% in 2016); (2) reliance on International's discount rate to be reflective of the overall market; (3) the discount is amortized using a straight-line basis over the life of the mortgage; (4) mortgages receivable are valued based on the gross mortgage amount less discount and down payment received.

**4. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL AND OTHER AFFILIATES**

Habitat remits a portion of its contributions (excluding in-kind-contributions) to International. These funds are used to construct homes in economically depressed areas around the world. In 2017 and 2016, Habitat contributed \$ 50,000 and \$ 40,000, respectively, to International.

**5. TRANSFER TO HOMEOWNERS**

Transfers to homeowners are recorded at the gross mortgage amount less discount and down payment received. The discount on mortgages is based on the difference between stated and market interest rates. Utilizing a straight-line basis, this discount, ranging from 6.00% to 9.00%, will be recognized as discount amortization income over the term of the performing mortgages.

**6. PROPERTY, EQUIPMENT AND DEPRECIATION**

Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation if determinable. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from five to thirty years. Repairs and maintenance expenditures are charged to activities as incurred, while improvements greater or equal to \$1,000 are capitalized.

	<u>2017</u>	<u>2016</u>
Land	\$ 1,115,725	\$ 1,139,073
Building and building improvements	3,834,838	3,793,515
Vehicles	98,332	110,500
Office furniture and equipment	<u>178,920</u>	<u>204,398</u>
	5,227,815	5,247,486
Accumulated depreciation	<u>(1,064,209)</u>	<u>(978,456)</u>
	<u>\$ 4,163,606</u>	<u>\$ 4,269,030</u>
Depreciation expense for the year	<u>\$ 190,927</u>	<u>\$ 181,247</u>

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**6. PROPERTY, EQUIPMENT AND DEPRECIATION (cont.)**

Habitat sold its warehouses located at 3412 S. Grove Street, Fort Worth Texas, on February 21, 2017 for \$ 344,000. In addition, assets fully depreciated and or no longer in service were removed from the statement of financial position for the year ending December 31, 2017. The total amount of assets and accumulated depreciation removed was \$ 49,953.

**7. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of building homes specified by donors during the year ending December 31, 2017.

**8. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for obtaining land and building homes for qualifying families and various outreach programs.

**9. REAL ESTATE INVENTORY**

Real estate inventory consists of land and homes in various stages of construction which will be sold as part of Habitat's exempt purpose. The balances are as follows:

	<u>2017</u>	<u>2016</u>
Real estate inventory, land, site development and houses	\$ 1,886,619	\$ 2,244,877
Construction in progress	<u>1,483,737</u>	<u>742,768</u>
	<u>\$ 3,370,356</u>	<u>\$ 2,987,645</u>

**10. HOME CONSTRUCTION COST**

Costs incurred in conjunction with home construction are capitalized as incurred. The following is a summary of home building activity:

	<u>2017</u>		<u>2016</u>	
	Number	Costs	Number	Costs
Homes under construction-Beginning	21	\$ 742,768	22	\$ 624,853
Additional cost incurred during period		542,224		528,195
New homes started during the period	44	2,460,997	31	1,325,445
New homes transferred during the period	<u>(36)</u>	<u>(2,262,252)</u>	<u>(32)</u>	<u>(1,735,725)</u>
Homes under construction-Ending	<u>29</u>	<u>\$ 1,483,737</u>	<u>21</u>	<u>\$ 742,768</u>

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**11. FORGIVABLE MORTGAGES**

Habitat maintains a financing option that reduces the homeowner's liability by forgiving a portion of the mortgage. When the homeowner timely pays the entire non-forgivable portion, the forgivable portion may be forgiven if all other terms and conditions have been satisfied. The year and amount these mortgages may be forgiven are as follows:

2019	\$	37,000
2020		4,976
2021		24,000
2022		88,000
2023		79,946
Thereafter 2024 through 2051		<u>3,803,587</u>
	\$	<u>4,037,509</u>

**12. NOTES PAYABLE**

	<u>December 31, 2017</u>
<u>Notes payable consists of:</u>	
Note payable-HFHI, installment note with equal installments of \$3,859 monthly, 0% with various maturities through 2021, secured by mortgages receivable.	\$ 71,233
Line of credit, monthly payments of interest only, prime with maturity December 2018, secured by real estate.	260,000
Note payable-Bank, installment note with equal installments of \$2,652 monthly, 2.63% with maturity of December 2018, secured by real estate.	392,824
Note payable-City of Arlington, installment note with equal annual payments of \$1,320, -0-% payments due a year in advance, matures September 2041, secured by real estate.	<u>31,692</u>
	755,749
Less current maturities of long term debt	<u>(683,664)</u>
Total long term debt less current maturities	<u>\$ 72,085</u>

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Principal maturities of the notes payable is as follows:

Year ended December 31,	2018	\$	683,664
	2019		22,350
	2020		14,190
	2021		9,135
	2022		1,321
	Beyond		25,089
			755,749
		\$	755,749

**12. NOTES PAYABLE (cont'd)**

Habitat has a \$ 1,675,000 revolving line of credit with its lenders, of which \$ 1,415,000 was unused at December 31, 2017. Bank advances on the credit line would be payable on demand and carry an interest rate ranging from Wall Street Prime less 10 basis points as published in the Wall Street Journal to 5.00%.

**13. PROMISES TO GIVE**

Habitat conducts fundraising efforts that include Buildstrong Luncheons. Pledged donations from these luncheons are treated as conditional promises to give based upon the absence of Habitat’s ability to legally pursue collections.

In 2015, two Buildstrong Luncheons were held, a total of \$ 712,475 was promised of which \$ 33,075 was outstanding at December 31, 2017.

In 2016, two Buildstrong Luncheons were held, a total of \$ 975,635 was promised of which \$ 115,824 was outstanding at December 31, 2017.

In 2017, two Buildstrong Luncheons were held, a total \$ 1,199,289 was promised of which \$ 536,414 was outstanding at December 31, 2017.

**14. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
“BOOTSTRAP” LOAN PROGRAM**

The Texas Department of Housing and Community Affairs (TDHCA) “Bootstrap” Loan Program provides no-interest home mortgage loans up to \$45,000 to low income Texas families who agree to help build their own home and who are working through certified nonprofit organizations such as Habitat. This program uses funds administered through the State of Texas Housing Trust Fund. TDHCA has appointed Habitat as a servicer for “Bootstrap” loans. As a servicer, Habitat collects payments from the borrowers and remits to TDHCA.

Twenty loans were issued by TDHCA during 2017 in the amount of approximately \$954,000. Twenty-one loans were issued by TDHCA during 2016 in the amount of approximately \$987,163. At the end of 2017 and 2016, \$-0- was due from TDHCA to Habitat.



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**15. HOMEOWNER DOWN PAYMENT ASSISTANCE PROGRAMS**

Habitat partners with several different agencies to provide down payment assistance to Habitat homeowners: (1) City of Fort Worth Affordable Housing Assistance Program (AHAP), which provides up to \$14,999 down payment assistance for low income homebuyers in Fort Worth, (2) HTF (Housing Trust Fund) Homebuyers Assistance Program administered through the Texas Department of Housing and Community Affairs (TDHCA), which makes available \$10,000 grants to homebuyers based on income, and (3) FHLB (Federal Home Loan Bank) Write-Down Program, which provides up to \$7,000 for mortgage write-downs in the form of down payment assistance and is based on the homeowner's income. The HTF and FHLB programs encompass Habitat's entire service area. The City of Fort Worth AHAP program is limited to Fort Worth residents only. All qualifying Habitat family partners are matched to the appropriate down payment assistance program based on a first come, first served, availability. Trinity Habitat's staff assists with the completion and submission of each homeowner's application.

In 2017, Habitat received \$48,000 from the FHLB program for twelve homeowners that closed on their homes in 2017. In 2017, Habitat received \$-0- from HTF. In 2017, the City of Fort Worth AHAP program approved nine homeowners with \$113,991 in down payment assistance.

In 2016, Habitat received \$ 56,000 from the FHLB program for fourteen homeowners that closed on their homes in 2016. In 2016 Habitat received \$-0- from HTF. In 2016, the City of Fort Worth AHAP program approved twenty homeowners with \$ 263,960 in down payment assistance.

**17. OPERATING LEASES**

Habitat leases certain pieces of office equipment and a vehicle under operating leases that expire at various dates through 2021. For the years ended December 31, 2017 and 2016, monthly rental expense for those leases was approximately \$ 11,845 and \$ 4,400, respectively. Future minimum operating lease obligations are as follows:

2018	44,112
2019	41,775
2020	21,780
2021 and beyond	<u>14,940</u>
Total Commitment	<u>\$ 122,607</u>

**18. EMPLOYEE BENEFIT PLANS**

The Company participates in a defined contribution plan under section 401(k). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and qualifies for its deferral arrangement under U.S. Internal Revenue Code 401(k). The Plan covers all employees with 12 months of service over the age of 21. The Plan has a noncontributory portion with a 6% contribution rate of eligible employees' wages. The Company may match any eligible participants' contributory deferral to a maximum of 6% of their pre-tax compensation. Total expenses and employer match for the years ended December 31, 2017 and 2016 were \$ 69,470 and \$ 61,057, respectively.

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**19. SUBSEQUENT EVENTS**

In preparing these financial statements, Habitat has evaluated events and transactions for the potential recognition or disclosure through September 17, 2018.

Subsequent to year-end, Habitat sold and closed on twenty-one (21) new or reclaimed homes.