

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(With Comparative Totals for December 31, 2016)**



## **CONTENTS**

<u>Independent Auditors' Report</u>	1-2
<u>Financial Statements</u>	
Statements of Financial Position	3-4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-17



## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Habitat for Humanity Vail Valley, Inc.

We have audited the accompanying financial statements of Habitat for Humanity Vail Valley, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 auditors' 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 financial position of Habitat for Humanity Vail Valley, Inc., as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States.

### **Report on Summarized Comparative Information**

The financial statements of Habitat for Humanity Vail Valley, Inc., as of December 31, 2016, were audited by Bauerle and Company, P.C., who merged with Wipfli LLP as of February 1, 2018, and whose report dated June 20, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Wipfli LLP*

Wipfli LLP  
Denver, Colorado

June 12, 2018

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017  
(With Comparative Totals as of December 31, 2016)**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,486,314	\$ 556,567
Accounts Receivable	51,639	916
Current Portion of Contributions and Grants Receivable	413,647	326,252
Current Portion of Mortgages Receivable - Net of Unamortized Discount	23,853	28,614
Prepaid Expenses	17,900	17,531
Inventory - ReStore	5,381	9,015
Land Held for Development	116,648	352,108
Construction-in-Progress	1,209,616	1,219,915
<b>Total Current Assets</b>	<u>3,324,998</u>	<u>2,510,918</u>
 <b>PROPERTY AND EQUIPMENT - AT COST</b>		
Leasehold Improvements	50,461	50,461
Vehicles	64,066	64,066
Software	15,860	15,860
Equipment and Furniture	46,161	57,875
	<u>176,548</u>	<u>188,262</u>
Less: Accumulated Depreciation	154,366	155,710
<b>Property and Equipment - Net</b>	<u>22,182</u>	<u>32,552</u>
 <b>LONG-TERM ASSETS</b>		
Restricted Cash	88,000	70,154
Deposits	24,150	14,150
Long-Term Portion of Contributions and Grants Receivable	72,000	283,147
Long-Term Portion of Mortgages Receivable - Net of Unamortized Discount	340,457	1,030,488
<b>Total Long-Term Assets</b>	<u>524,607</u>	<u>1,397,939</u>
 <b>TOTAL ASSETS</b>	<u>\$ 3,871,787</u>	<u>\$ 3,941,409</u>

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

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2017**  
**(With Comparative Totals as of December 31, 2016)**

**LIABILITIES AND NET ASSETS**

	<u>2017</u>	<u>2016</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 56,457	\$ 40,068
Notes Payable - Due Within One Year	2,988	24,531
Deferred Revenue	79,430	24,199
Other Current Liabilities	<u>49,365</u>	<u>18,268</u>
<b>Total Current Liabilities</b>	<u>188,240</u>	<u>107,066</u>
<b>LONG-TERM LIABILITIES</b>		
Homeowner Escrow Deposits	81,809	68,135
Notes Payable - Due After One Year	<u>123,260</u>	<u>301,076</u>
<b>Total Long-Term Liabilities</b>	<u>205,069</u>	<u>369,211</u>
<b>Total Liabilities</b>	<u>393,309</u>	<u>476,277</u>
<b>NET ASSETS</b>		
Unrestricted:		
Unrestricted	2,897,207	2,785,767
Board Designated	<u>57,624</u>	<u>81,966</u>
<b>Total Unrestricted Net Assets</b>	2,954,831	2,867,733
Temporarily Restricted	<u>523,647</u>	<u>597,399</u>
<b>Total Net Assets</b>	<u>3,478,478</u>	<u>3,465,132</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,871,787</u>	<u>\$ 3,941,409</u>

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

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>REVENUES AND SUPPORT</b>				
<b>Operating Revenue:</b>				
Sale to Homeowners	\$ 1,310,000	\$ -	\$ 1,310,000	\$ 1,070,000
ReStore Revenue	498,104	-	498,104	425,300
Mortgage Discount Amortization	102,170	-	102,170	68,895
Shared Appreciation Income	48,556	-	48,556	-
Gain on Sale of Mortgage Loans	298,738	-	298,738	140,542
(Loss) on Disposal of Property and Equipment	(3,066)	-	(3,066)	-
Other Program Income	29,579	-	29,579	36,153
Interest Income	161	-	161	236
Total Operating Revenue	<u>2,284,242</u>	<u>-</u>	<u>2,284,242</u>	<u>1,741,126</u>
<b>Support:</b>				
Contributions and Grants	331,021	329,284	660,305	561,084
Donated Services	14,740	-	14,740	26,463
Special Events (Net of Direct Expenses of \$70,183 and \$69,430, Respectively)	114,297	-	114,297	101,008
Total Support	<u>460,058</u>	<u>329,284</u>	<u>789,342</u>	<u>688,555</u>
Net Assets Released from Restriction	<u>403,036</u>	<u>(403,036)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<u>3,147,336</u>	<u>(73,752)</u>	<u>3,073,584</u>	<u>2,429,681</u>
<b>EXPENSES:</b>				
Program Services	2,247,709	-	2,247,709	2,027,761
ReStore	473,853	-	473,853	487,678
Fundraising	198,470	-	198,470	172,407
Management and General	140,206	-	140,206	130,865
<b>TOTAL EXPENSES</b>	<u>3,060,238</u>	<u>-</u>	<u>3,060,238</u>	<u>2,818,711</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	87,098	(73,752)	13,346	(389,030)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>2,867,733</u>	<u>597,399</u>	<u>3,465,132</u>	<u>3,854,162</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,954,831</u>	<u>\$ 523,647</u>	<u>\$ 3,478,478</u>	<u>\$ 3,465,132</u>

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

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**(With Comparative Totals for the Year Ended December 31, 2016)**

	<u>Program Services</u>	<u>ReStore</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>Expenses:</b>						
Advertising	\$ 7,117	\$ 21,991	\$ 2,737	\$ 1,095	\$ 32,940	\$ 27,568
Bank and Credit Card Fees	-	8,943	4,931	1,644	15,518	12,888
Conferences, Meals, and Entertainment	6,606	2,904	881	1,321	11,712	9,009
Construction Costs	1,350,440	-	-	-	1,350,440	1,107,923
Contract Labor	12,051	10,927	4,017	-	26,995	16,081
Depreciation	157	7,092	53	2	7,304	8,401
Discount to Net Present Value	475,319	-	-	-	475,319	516,930
Donor and Volunteer Recognition	12,049	3,081	2,259	753	18,142	19,643
Employee Benefits	19,325	24,149	15,811	8,784	68,069	70,821
Fundraising Expense	-	-	-	-	-	3,715
Insurance	14,947	12,332	-	2,638	29,917	23,561
Interest Expense	53,488	-	-	-	53,488	47,689
Mortgage Fees	14,262	-	-	-	14,262	6,647
Office Expenses	34,569	5,869	2,033	4,067	46,538	50,112
Payroll Taxes	13,533	20,004	11,073	6,151	50,761	52,779
Professional Fees	-	10,526	-	26,641	37,167	36,142
Rent and Property Taxes	11,777	68,690	693	1,386	82,546	86,293
Salaries	187,896	247,547	153,733	85,407	674,583	654,354
Telephone and Utilities	2,698	19,852	159	317	23,026	25,288
Tithe	27,000	-	-	-	27,000	21,000
Vehicles Expenses	4,475	9,946	90	-	14,511	21,867
<b>TOTAL EXPENSES</b>	<b>\$ 2,247,709</b>	<b>\$ 473,853</b>	<b>\$ 198,470</b>	<b>\$ 140,206</b>	<b>\$ 3,060,238</b>	<b>\$ 2,818,711</b>

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

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**(With Comparative Totals for the Year Ended December 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (Decrease) in Net Assets	\$ 13,346	\$ (389,030)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Operating Activities:		
Depreciation Expense	7,304	8,401
Mortgage Loans Issued - Net of Discount to Net Present Value	(650,002)	(419,219)
Amortization of Discount on Mortgage Loans	(102,170)	(68,895)
(Gain) on Sale of Mortgage Loans	(298,738)	(140,542)
Loss on Disposal of Property and Equipment	3,066	-
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(50,723)	992
Grants Receivable	-	(12,000)
Promises to Give	123,752	294,668
Inventory - Restore	3,634	(3,782)
Land Held for Development	235,460	152,222
Construction-in-Progress	10,299	38,205
Prepaid Expenses	(369)	(6,585)
Restricted Cash	(17,846)	5,404
Deposits	(10,000)	-
Increase (Decrease) in:		
Accounts Payable	16,389	(35,724)
Deferred Revenue	55,231	6,365
Other Current Liabilities	31,097	(32,828)
Homeowner Escrow Deposits	13,674	2,326
<b>Net Cash (Used In)     Operating Activities</b>	<u>(616,596)</u>	<u>(600,022)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Purchase of) Property and Equipment	-	(9,036)
Proceeds from Sale of Mortgages	1,523,374	422,942
Mortgage Payments Received	222,328	88,186
<b>Net Cash Provided By     Investing Activities</b>	<u>1,745,702</u>	<u>502,092</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payments on) Notes Payable	(199,359)	(23,189)
<b>Net Cash (Used In)     Financing Activities</b>	<u>(199,359)</u>	<u>(23,189)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	929,747	(121,119)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>556,567</u>	<u>677,686</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,486,314</u>	<u>\$ 556,567</u>
<b><u>SUPPLEMENTAL DISCLOSURE:</u></b>		
Interest Paid	<u>\$ 53,488</u>	<u>\$ 47,689</u>

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

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**(With Comparative Totals for December 31, 2016)**

---

**1 Summary of Significant Accounting Policies.**

**Nature of Organization.** Habitat for Humanity Vail Valley, Inc. (the “Organization”) is a non-profit, tax-exempt organization formed on April 1, 1995 to construct and renovate homes with and for people in need.

The Organization operates a Habitat for Humanity ReStore (the “ReStore”), a retail operation, where home furnishings, appliances, and other miscellaneous items are donated and then sold to the community at reduced prices. Revenue is recognized by the Organization at the time the donated goods are sold; therefore, no value for the donated ReStore inventory is included in these financial statements. The ReStore is operated with the sole purpose of generating funds to assist the Organization’s mission of building houses.

**Basis of Accounting.** The financial statements of the Organization are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

**Comparative Financial Information.** The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. The prior year presentation does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**Financial Statement Presentation.** Financial statement presentation follows the requirements under Generally Accepted Accounting Principles for Not-for-Profit Organizations. Under this presentation the Organization 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. Unrestricted net assets come primarily from donations, grants, ReStore revenue, sales to homeowners, and contributions and are used by the Organization for program or supporting services. Temporarily restricted net assets are those net assets whose use has been limited by donors to later periods of time, after specified dates, or to specified purposes. Permanently restricted net assets must be maintained in perpetuity.

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

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**(With Comparative Totals for December 31, 2016)**

---

**1 Summary of Significant Accounting Policies. (Continued)**

**Fair Value of Financial Instruments.** The Organization's financial instruments include cash and cash equivalents, receivables, accounts payable, and short-term borrowings. The fair values of these financial instruments approximate their carrying amounts based on current market indicators, such as prevailing interest rates and their nearness to maturity.

**Income Tax Status.** The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as an organization other than a private foundation under Section 509(a)(1).

In accordance with Generally Accepted Accounting Principles, an entity is required to disclose any material uncertain tax positions that management believes does not meet a "more-likely-than-not" standard of being sustained under an income tax audit, and to record a liability for any such taxes including penalties and interest. Management of the Organization has not identified any uncertain tax positions that require the recording of a liability mentioned above or further disclosure.

**Cash and Cash Equivalents.** For purposes of the Statements 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.

**Accounts Receivable.** Accounts receivable are uncollateralized amounts due primarily for shared appreciation and other operating income. Management continually evaluates the need for an allowance for uncollectible accounts. Management reviewed the receivable balances as of December 31, 2017 and 2016, and determined that an allowance is not necessary.

**Contributions and Grants Receivable.** The Organization records as contributions and grants receivable unconditional promises to give. These unconditional promises represent written or oral agreements to contribute cash or other assets to the organization. At December 31, 2017 and 2016, management deemed all contributions and grants receivable to be fully collectible; accordingly, no allowance for uncollectible contributions and grants was required.

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(With Comparative Totals for December 31, 2016)**

---

**1 Summary of Significant Accounting Policies. (Continued)**

**Inventory – ReStore.** ReStore inventory consists of purchased items. During the year ended December 31, 2017, the Company adopted Accounting Standards Update (ASU) 2015-11, “Inventory-Simplifying the Measurement of Inventory,” which changed how inventory is valued. Inventories as of December 31, 2017, are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable cost of completion, disposal, and transportation. The adoption of ASU 2015-11 did not have a material impact on the Organization’s financial statements.

**Mortgages Receivable.** The Organization constructs homes to be sold with interest-free mortgages. These mortgages are discounted based upon the prevailing market interest rates at the inception of the mortgage. The discount rates are set by Habitat for Humanity International based on the annual simple average of the rates published by the Internal Revenue Service under 2010-5 section 42(B)(2) for buildings placed into service during the period. The discounts are charged directly to operations at the inception of the mortgage and amortized over the life of the mortgage.

**Property and Equipment.** Property and equipment are carried at cost or fair-market value at date of contribution. Maintenance items of a routine nature are expensed as incurred, whereas those which improve or extend the lives of existing assets are capitalized. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Property and equipment acquired with an estimated useful life in excess of one year is capitalized and depreciated using the straight-line method over the estimated useful lives of the assets.

**Long-Lived Assets.** The Organization reviews their long-lived assets periodically to determine potential impairment by comparing the carrying value of those assets with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future undiscounted cash flows be less than the carrying value, the Organization would recognize an impairment loss at that time. No impairment loss was recognized during the years ended December 31, 2017 and 2016.

**Land Held for Development.** Land held for development is carried at cost. When the development of the land is complete and the Organization begins constructing the home, land is reclassified to construction-in-progress.

**Construction-in-Progress.** All land, material, and salary costs incurred in constructing a home are capitalized. These costs include donated goods and services associated with the individual project. These accumulated costs are not subject to depreciation.

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(With Comparative Totals for December 31, 2016)**

---

**1 Summary of Significant Accounting Policies. (Continued)**

**Deferred Revenue.** Deferred revenue primarily represents funding received for events that will take place in a future period.

**Homeowner Escrow Deposits.** The Organization has established a future payment escrow for four loans sold to USDA. Funds received for the individual escrows are maintained in a separate bank account and are reflected as part of Restricted Cash. The homeowner escrow balance is also reflected as a liability in Homeowner Escrow Deposits.

**Recognition of Revenue and Support.** The Organization records unconditional contributions in accordance with the requirements of Generally Accepted Accounting Principles for Not-for-Profit Organizations. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Conditional promises to give are recognized as support when the conditions on which they depend are substantially met. Assets received with a conditional promise for use of those assets are accounted for as refundable advances, until the conditions on which they depend are substantially met.

Donations of assets are recorded at estimated fair market value.

Sales to homeowners are recognized at the time the loan is funded to the borrower.

Restore revenue is recognized at the point of sale.

**Donated Services.** Donated services are recognized as contributions in accordance with Generally Accepted Accounting Principles for Not-for-Profit Organizations, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended December 31, 2017 and 2016, the Organization received and recognized \$14,740 and \$26,463, respectively, of donated professional services. Volunteers also provided assistance with specific programs and fund-raising events throughout the year that were not recognized as contributions in the financial statements because the recognition criteria was not met.

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**(With Comparative Totals for December 31, 2016)**

---

**1 Summary of Significant Accounting Policies. (Continued)**

**Functional Allocation of Expenses.** The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Program activities are those that are conducted in accordance with the Organization's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to an organization's existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by function have been allocated based upon management's estimates of the time each employee spends working in each category or the percentage of office space devoted to each category.

**Advertising.** The Organization uses advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$32,940 and \$27,568, respectively, for the years ended December 31, 2017 and 2016.

**Recently Issued Accounting Pronouncements.** In August 2016, the FASB issue ASU 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. This ASU is meant to eliminate diversity in practice and increase comparability among not-for-profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a not-for-profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

**Subsequent Events.** In preparing its financial statements, the Organization has evaluated subsequent events through June 12, 2018, which is the date the financial statements were available to be issued. Management of the Organization has not identified any subsequent events requiring disclosure, except as discussed in Note 12.

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(With Comparative Totals for December 31, 2016)**

---

**2 Concentrations of Credit Risk.**

Financial instruments that potentially subject the Organization to credit risk consist primarily of the following:

**Cash:** Since the Organization places cash in individual financial institutions in excess of FDIC insured limits, the Company periodically reviews the financial condition of the financial institutions to reduce the Organization's credit risk associated with cash and cash equivalents.

**Contributions and Grants Receivable:** At December 31, 2017 and 2016, the Organization had one contribution receivable that accounted for 47% and 84%, respectively, of the outstanding total receivables. Management expects this contribution to be paid-in-full in accordance with respective payment schedule established by the donor.

**3 Contributions and Grants Receivable.**

*Unconditional Contributions and Grants Receivable*

Unconditional contributions and grants receivable at December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in Less than One Year	\$ 413,647	\$ 326,252
Receivable in One to Five Years	<u>72,000</u>	<u>283,147</u>
	<u>\$ 485,647</u>	<u>\$ 609,399</u>

*Conditional Contributions and Grants Receivable*

In 2016, the Organization was awarded a conditional contribution receivable in the amount of \$75,000 which is payable in annual installments from 2016 through 2020. The conditional contribution receivable will be recognized into revenue upon the conditions being substantially met. During the years ended December 31, 2017 and 2016, the Organization received and recognized into revenue \$20,000 and \$25,000, respectively, of the conditional contribution receivable.

The remaining conditional contribution receivable give will be received as follows if the conditions are met:

2018	\$ 15,000
2019	10,000
2020	<u>5,000</u>
	<u>\$ 30,000</u>

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
(With Comparative Totals for December 31, 2016)**

---

**4 Mortgages Receivable.**

Mortgages Receivable at December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Mortgages Receivable at Face Value	\$ 793,262	\$ 1,987,794
Less: Unamortized Discount	( 428,952)	( 928,692)
Net Mortgages Receivable	364,310	1,059,102
Less: Current Portion, Net of Unamortized Discount	( 23,853)	( 28,614)
Long Term Portion, Net of Unamortized Discount	<u>\$ 340,457</u>	<u>\$ 1,030,488</u>

During the years ended December 31, 2017 and 2016, the Organization funded seven and six new mortgages, respectively. At December 31, 2017 and 2016, the Organization had 7 and 17, respectively, of outstanding mortgages receivable, with applicable discount rates ranging from 7.51% to 8.53%. The rates used to discount the mortgages funded in 2017 and 2016, were 7.47% and 7.48%, respectively.

The following are the future payments due under the mortgages receivable for the years ending December 31:

2018	\$ 35,280
2019	35,280
2020	35,280
2021	35,280
2022	32,966
Thereafter	<u>619,176</u>
	<u>\$ 793,262</u>

**5 Mortgage Loan Sales.**

In September and December 2017, the Organization sold its interest in nine mortgage loans to FirstBank and received \$947,667 in cash proceeds and recognized a gain on sale of \$188,189.

In December 2017, the Organization sold its interest in five mortgage loans to ANB Bank and received \$427,686 in cash proceeds and recognized a gain on sale of \$111,359. The Organization retained servicing rights for these loans.

In June 2017, the Organization sold its interest in one mortgage loan to CHFA and received \$148,021 in cash proceeds and recognized a (loss) on sale of (\$810).

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**(With Comparative Totals for December 31, 2016)**

---

**5 Mortgage Loan Sales. (Continued)**

On September 2, 2016, the Organization sold its interest in four mortgage loans to FirstBank and received \$422,942 in cash proceeds. For the year ended December 31, 2016, the Organization recognized a gain on sale of \$140,542 resulting from the sale. The Organization retained servicing rights for these loans.

The sales agreements with FirstBank, ANB Bank and CHFA provide that the Organization may be required to repurchase loans and or substitute with performing loans in the event of default that is not cured within a specified period of time.

**6 Notes Payable.**

The following is a summary of the notes payable at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Alpine Bank (payable in monthly installments of \$370, including interest at 4.75%; secured by a mortgage; with a balloon payment due on November 21, 2021)	\$ 63,027	\$ 64,452
Alpine Bank (payable in monthly installments of \$370, including interest at 4.75%; secured by a mortgage; with a balloon payment due on December 7, 2021)	63,221	64,532
ANB Bank (5 notes, payable in monthly installments from \$431 to \$685, including interest from 5.10% to 5.25%; secured by a mortgage; paid-off in 2017)	<u>-</u>	<u>196,623</u>
	126,248	325,607
Less: Current Maturities Included in Current Liabilities	<u>2,988</u>	<u>24,531</u>
Notes Payable – Due After One Year	<u>\$ 123,260</u>	<u>\$ 301,076</u>

The following are future maturities of notes payable for the years ending December 31:

2018	\$ 2,988
2019	3,134
2020	3,286
2021	<u>116,840</u>
	<u>\$ 126,248</u>

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**(With Comparative Totals for December 31, 2016)**

---

**7 Lines-of-Credit.**

The Organization has negotiated a \$75,000 line-of-credit with FirstBank of Vail that is secured by deposit accounts. The line-of-credit bears interest at the Wall Street Journal prime rate plus 2.0%, with a floor rate of 6.50%. The line-of-credit matures on January 30, 2019. There was no outstanding balance on this line-of-credit at December 31, 2017 and 2016.

The Organization has negotiated a \$100,000 demand line-of-credit with U.S. Bank, N.A. The line-of-credit is secured by business assets, bears interest at the Wall Street Journal prime rate plus 1.0% and is due on demand. There was no outstanding balance on this line-of-credit at December 31, 2017 and 2016.

**8 Operating Lease Commitments.**

The Organization leases office space and commercial retail space under non-cancelable operating leases. The minimum future lease payments for years ending December 31, are as follows:

2018	\$ 75,830
2019	60,453
2020	1,700
2021	<u>708</u>
	<u>\$ 138,691</u>

For the years ended December 31, 2017 and 2016, rent expense was \$74,092 and \$72,726, respectively.

**9 Net Assets.**

**Board Designated Net Assets:** As of December 31, 2017 and 2016, the Organization has designated net assets in the amount of \$57,624 and \$81,966, respectively, for future operating reserves.

**Temporarily Restricted Net Assets:** The Organization receives contributions from various organizations and individuals, which are temporarily restricted. At December 31, 2017 and 2016, temporarily restricted net assets were restricted to the following:

	<u>2017</u>	<u>2016</u>
Time Restrictions	\$ 485,647	\$ 592,399
Cabinets	3,000	-
Land Acquisition	<u>35,000</u>	<u>5,000</u>
	<u>\$ 523,647</u>	<u>\$ 597,399</u>

**HABITAT FOR HUMANITY VAIL VALLEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
**(With Comparative Totals for December 31, 2016)**

---

**10 Employee Benefit Plan.**

The Organization has adopted a retirement plan covering substantially all employees under Section 403(b) of the Internal Revenue Code. In accordance with the plan, the Organization may provide matching contributions in an amount determined by management. The Organization contributed \$31,874 and \$34,862, respectively, to the plan during the years ended December 31, 2017 and 2016.

**11 Transactions with Affiliates.**

The Organization voluntarily remits a portion of its contributions to Habitat for Humanity International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. For the years ended December 31, 2017 and 2016, \$27,000 and \$21,000 were contributed, respectively, to Habitat for Humanity International. As of December 31, 2017 and 2016, amounts payable to Habitat for Humanity International is \$26,500 and \$17,400, respectively.

The Organization is a sub-recipient of certain government grants received directly by Habitat for Humanity of Colorado, an affiliated organization. During the years ended December 31, 2017 and 2016, the Organization recognized \$87,000 and \$50,000, respectively, of grant revenue from Habitat for Humanity of Colorado. As of December 31, 2017 and 2016, included in contributions and grants receivable is \$40,000 and \$-0-, respectively, of amounts due from Habitat for Humanity of Colorado.

**12 Subsequent Events - Land Acquisitions.**

In December 2017, the Organization entered into an agreement with an unrelated third party to acquire land in Gypsum Colorado for \$1,188,000 to construct up to 36 affordable housing residences. The agreement was amended on December 29, 2017, January 15, 2018 and February 8, 2018, extending the closing date until March 16, 2018. The closing did not occur by March 16, 2018 and management is working with the seller to extend the closing to September 2018.

In February 2018, the Organization entered into an agreement with an unrelated third party to acquire land in Gypsum Colorado for \$1 to construct up to 12 affordable housing residences.

**13 Reclassifications.**

Certain prior year amounts have been reclassified to conform to the current year presentation.