

# Habitat for Humanity Vail Valley, Inc.

## Consolidated Financial Statements

December 31, 2018

(With Comparative Totals for December 31, 2017)





## **Independent Auditor's Report**

Board of Directors  
Habitat for Humanity Vail Valley, Inc.  
Avon, Colorado

We have audited the accompanying consolidated financial statements of Habitat for Humanity Vail Valley, Inc., (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Habitat for Humanity Vail Valley, Inc. as of December 31, 2018, 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**

We have previously audited Habitat for Humanity Vail Valley, Inc.'s 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Wipfli LLP*

Wipfli LLP

July 08, 2019

Denver, Colorado

# Habitat for Humanity Vail Valley, Inc.

## Consolidated Statements of Financial Position

December 31, 2018

(With Comparative Totals as of December 31, 2017)

| <b>ASSETS</b>   | 2018                | 2017                |
|---|---------------------|---------------------|
| <b>Current Assets</b>   |                     |                     |
| Cash:   |                     |                     |
| Unrestricted Cash   | \$ 152,475          | \$ 1,486,314        |
| Restricted Cash   | 103,159             | 88,000              |
| <b>Total Cash</b>   | <b>255,634</b>      | <b>1,574,314</b>    |
| Accounts Receivable   | 1,254               | 51,639              |
| Current Portion of Contributions and<br>Grants Receivable                           | 518,621             | 413,647             |
| Current Portion of Mortgages Receivable -<br>Net of Discount to Net Present Value   | 21,650              | 23,853              |
| Prepaid Expenses  | 34,260              | 17,900              |
| Inventory - ReStore   | 2,381               | 5,381               |
| Land Held for Development, current portion  | 168,051             | 116,648             |
| Construction-in-Progress  | 641,049             | 1,209,616           |
| <b>Total Current Assets</b>   | <b>1,642,900</b>    | <b>3,412,998</b>    |
| <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              | 46,161              |
|   | 176,548             | 176,548             |
| Less: Accumulated Depreciation  | 160,944             | 154,366             |
| <b>Property and Equipment - Net</b>   | <b>15,604</b>       | <b>22,182</b>       |
| <b>Long-Term Assets</b>   |                     |                     |
| Deposits  | 4,950               | 24,150              |
| Land Held for Development, net of current portion                                   | 1,189,041           | -                   |
| Long-Term Portion of Contributions and<br>Grants Receivable                         | 726,000             | 72,000              |
| Long-Term Portion of Mortgages Receivable -<br>Net of Discount to Net Present Value | 871,770             | 340,457             |
| <b>Total Long-Term Assets</b>   | <b>2,791,761</b>    | <b>436,607</b>      |
| <b>TOTAL ASSETS</b>   | <b>\$ 4,450,265</b> | <b>\$ 3,871,787</b> |

See accompanying notes to consolidated financial statements.

**Habitat for Humanity Vail Valley, Inc.**  
**Consolidated Statements of Financial Position (Continued)**  
December 31, 2018  
(With Comparative Totals as of December 31, 2017)

| LIABILITIES AND NET ASSETS                         | 2018                | 2017                |
|--|---------------------|---------------------|
| <b>Current Liabilities</b>                         |                     |                     |
| Accounts Payable                                   | \$ 91,776           | \$ 56,457           |
| Notes Payable - Due Within One Year                | 3,134               | 2,988               |
| Deferred Revenue                                   | 89,061              | 79,430              |
| Other Current Liabilities                          | 52,489              | 49,365              |
| <b>Total Current Liabilities</b>                   | <b>236,460</b>      | <b>188,240</b>      |
| <b>Long-Term Liabilities</b>                       |                     |                     |
| Homeowner Escrow Deposits                          | 95,388              | 81,809              |
| Notes Payable - Due After One Year                 | 120,244             | 123,260             |
| <b>Total Long-Term Liabilities</b>                 | <b>215,632</b>      | <b>205,069</b>      |
| <b>Total Liabilities</b>                           | <b>452,092</b>      | <b>393,309</b>      |
| <b>Net Assets</b>                                  |                     |                     |
| Without Donor Restrictions:                        |                     |                     |
| Undesignated                                       | 2,704,639           | 2,897,207           |
| Board Designated                                   | 30,913              | 57,624              |
| <b>Total Net Assets Without Donor Restrictions</b> | <b>2,735,552</b>    | <b>2,954,831</b>    |
| With Donor Restrictions                            | 1,262,621           | 523,647             |
| <b>Total Net Assets</b>                            | <b>3,998,173</b>    | <b>3,478,478</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>            | <b>\$ 4,450,265</b> | <b>\$ 3,871,787</b> |

See accompanying notes to consolidated financial statements.

# Habitat for Humanity Vail Valley, Inc.

## Consolidated Statements of Activities

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

|   | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total<br>2018       | Total<br>2017       |
|---|----------------------------------|-------------------------------|---------------------|---------------------|
| <b>Revenues and Support</b>                   |                                  |                               |                     |                     |
| <b>Operating Revenue:</b>                     |                                  |                               |                     |                     |
| Sale to Homeowners                            | \$ 1,327,000                     | \$ -                          | \$ 1,327,000        | \$ 1,310,000        |
| ReStore Revenue                               | 565,067                          | -                             | 565,067             | 517,802             |
| Mortgage Discount Amortization                | 36,625                           | -                             | 36,625              | 102,170             |
| Shared Appreciation Income                    | -                                | -                             | -                   | 48,556              |
| Gain on Sale of Mortgage Loans                | -                                | -                             | -                   | 298,738             |
| Loss on Disposal of Property and<br>Equipment | -                                | -                             | -                   | (3,066)             |
| Other Program Income                          | 4,950                            | -                             | 4,950               | 24,355              |
| Interest Income                               | 8,791                            | -                             | 8,791               | 147                 |
| <b>Total Operating Revenue</b>                | <b>1,942,433</b>                 | <b>-</b>                      | <b>1,942,433</b>    | <b>2,298,702</b>    |
| <b>Support:</b>                               |                                  |                               |                     |                     |
| Contributions and Grants                      | 477,998                          | 1,149,171                     | 1,627,169           | 648,581             |
| In-Kind Revenue                               | 6,535                            | -                             | 6,535               | 12,004              |
| Special Events - Net                          | 136,283                          | -                             | 136,283             | 114,297             |
| <b>Total Support</b>                          | <b>620,816</b>                   | <b>1,149,171</b>              | <b>1,769,987</b>    | <b>774,882</b>      |
| Net Assets Released From Restriction          | 410,197                          | (410,197)                     | -                   | -                   |
| <b>Total Revenues and Support</b>             | <b>2,973,446</b>                 | <b>738,974</b>                | <b>3,712,420</b>    | <b>3,073,584</b>    |
| <b>Expenses</b>                               |                                  |                               |                     |                     |
| Program Services                              | 2,392,324                        | -                             | 2,392,324           | 2,239,958           |
| ReStore                                       | 458,453                          | -                             | 458,453             | 481,604             |
| Management and General                        | 127,326                          | -                             | 127,326             | 140,206             |
| Fundraising                                   | 214,622                          | -                             | 214,622             | 198,470             |
| <b>Total Expenses</b>                         | <b>3,192,725</b>                 | <b>-</b>                      | <b>3,192,725</b>    | <b>3,060,238</b>    |
| <b>Change in Net Assets</b>                   | <b>(219,279)</b>                 | <b>738,974</b>                | <b>519,695</b>      | <b>13,346</b>       |
| <b>Net Assets - Beginning of Year</b>         | <b>2,954,831</b>                 | <b>523,647</b>                | <b>3,478,478</b>    | <b>3,465,132</b>    |
| <b>NET ASSETS - END OF YEAR</b>               | <b>\$ 2,735,552</b>              | <b>\$ 1,262,621</b>           | <b>\$ 3,998,173</b> | <b>\$ 3,478,478</b> |

See accompanying notes to consolidated financial statements.

**Habitat for Humanity Vail Valley, Inc.**  
**Consolidated Statements of Functional Expenses**  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)

|  | Program<br>Services | ReStore           | Management<br>and General | Fundraising       | Total<br>2018       | Total<br>2017       |
|--|---------------------|-------------------|---------------------------|-------------------|---------------------|---------------------|
| <b>Expenses</b>  |                     |                   |                           |                   |                     |                     |
| Advertising  | \$ 4,918            | \$ 21,640         | \$ 757                    | \$ 1,892          | \$ 29,207           | \$ 32,940           |
| Bank and Credit Card Fees  | -                   | 10,135            | 1,755                     | 5,264             | 17,154              | 15,518              |
| Conferences, Meals, and Entertainment  | 4,527               | 3,652             | 905                       | 604               | 9,688               | 11,712              |
| Construction Costs   | 1,362,714           | -                 | -                         | -                 | 1,362,714           | 1,342,689           |
| Cost of Goods Sold   | -                   | 7,613             | -                         | -                 | 7,613               | 7,751               |
| Contract Labor   | 20,013              | 8,197             | -                         | 6,671             | 34,881              | 26,995              |
| Cost of Direct Benefit to Donors   | -                   | -                 | -                         | 80,428            | 80,428              | 70,183              |
| Depreciation   | 4,185               | 921               | 57                        | 1,415             | 6,578               | 7,304               |
| Discount on Mortgages  | 595,121             | -                 | -                         | -                 | 595,121             | 475,319             |
| Donor and Volunteer Recognition  | 11,554              | 1,619             | 722                       | 2,166             | 16,061              | 18,142              |
| Employee Benefits  | 23,001              | 21,490            | 8,320                     | 17,618            | 70,429              | 68,069              |
| Insurance  | 15,536              | 12,739            | 2,742                     | -                 | 31,017              | 29,917              |
| Interest   | 38,820              | -                 | -                         | -                 | 38,820              | 53,488              |
| Mortgage Fees  | 7,569               | -                 | -                         | -                 | 7,569               | 14,262              |
| Office   | 24,155              | 14,970            | 2,677                     | 1,338             | 43,140              | 46,538              |
| Payroll Taxes  | 14,312              | 17,483            | 5,177                     | 10,963            | 47,935              | 50,761              |
| Professional Fees  | -                   | 9,983             | 23,817                    | -                 | 33,800              | 37,167              |
| Rent and Property Taxes  | 16,385              | 72,977            | 1,928                     | 964               | 92,254              | 82,546              |
| Salaries   | 216,022             | 221,470           | 78,135                    | 165,463           | 681,090             | 674,583             |
| Telephone and Utilities  | 2,837               | 21,340            | 334                       | 166               | 24,677              | 23,026              |
| Tithe  | 25,841              | -                 | -                         | -                 | 25,841              | 27,000              |
| Vehicle  | 4,814               | 12,224            | -                         | 98                | 17,136              | 14,511              |
| <b>Total Expenses by Function</b>  | <b>2,392,324</b>    | <b>458,453</b>    | <b>127,326</b>            | <b>295,050</b>    | <b>3,273,153</b>    | <b>3,130,421</b>    |
| Less: Expenses Included with Revenues on the<br>Consolidated Statements of Activities                  |                     |                   |                           |                   |                     |                     |
| Cost of Direct Benefit to Donors   | -                   | -                 | -                         | (80,428)          | (80,428)            | (70,183)            |
| <b>Total Expenses Included in the Expense Section on the<br/>Consolidated Statements of Activities</b> | <b>\$ 2,392,324</b> | <b>\$ 458,453</b> | <b>\$ 127,326</b>         | <b>\$ 214,622</b> | <b>\$ 3,192,725</b> | <b>\$ 3,060,238</b> |

See accompanying notes to consolidated financial statements.

# Habitat for Humanity Vail Valley, Inc.

## Consolidated Statements of Cash Flows

For the Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

|   | 2018               | 2017                |
|---|--------------------|---------------------|
| Cash Flows from Operating Activities:                           |                    |                     |
| Change in Net Assets  | \$ 519,695         | \$ 13,346           |
| Adjustments to Reconcile Change in Net Assets to Net Cash Flows |                    |                     |
| From Operating Activities:                                      |                    |                     |
| Depreciation  | 6,578              | 7,304               |
| Mortgage Loans Issued - Net of Discount to Net Present Value    | (542,637)          | (650,002)           |
| Mortgage Discount Amortization                                  | (36,625)           | (102,170)           |
| (Gain) on Sale of Mortgage Loans                                | -                  | (298,738)           |
| Loss on Disposal of Property and Equipment                      | -                  | 3,066               |
| Changes in Operating Assets and Liabilities:                    |                    |                     |
| Accounts Receivable   | 50,385             | (50,723)            |
| Contributions and Grants Receivable                             | (758,974)          | 123,752             |
| Prepaid Expenses  | (16,360)           | (369)               |
| Inventory - Restore   | 3,000              | 3,634               |
| Land Held for Development                                       | (1,092,696)        | 87,712              |
| Construction-in-Progress  | 420,819            | 158,047             |
| Deposits  | 19,200             | (10,000)            |
| Accounts Payable  | 35,319             | 16,389              |
| Deferred Revenue  | 9,631              | 55,231              |
| Other Current Liabilities                                       | 3,124              | 31,097              |
| Homeowner Escrow Deposits                                       | 13,579             | 13,674              |
| <b>Net Cash Flows From Operating Activities</b>                 | <b>(1,365,962)</b> | <b>(598,750)</b>    |
| Cash Flows From Investing Activities:                           |                    |                     |
| Proceeds from Sales of Mortgages                                | -                  | 1,523,374           |
| Mortgage Payments Received                                      | 50,152             | 222,328             |
| <b>Net Cash Flows From Investing Activities</b>                 | <b>50,152</b>      | <b>1,745,702</b>    |
| Cash Flows From Financing Activities:                           |                    |                     |
| (Payments on) Notes Payable                                     | (2,870)            | (199,359)           |
| <b>Net Change in Cash</b>                                       | <b>(1,318,680)</b> | <b>947,593</b>      |
| <b>Cash - Beginning of Year</b>                                 | <b>1,574,314</b>   | <b>626,721</b>      |
| <b>Cash - End of Year</b>                                       | <b>\$ 255,634</b>  | <b>\$ 1,574,314</b> |
| <b>Supplemental Disclosure:</b>                                 |                    |                     |
| Interest Paid   | \$ 38,820          | \$ 53,488           |

See accompanying notes to consolidated financial statements.

# Habitat for Humanity Vail Valley, Inc.

## Notes to Consolidated Financial Statements

### December 31, 2018

#### (With Comparative Totals for December 31, 2017)

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### **Note 1: Summary of Significant Accounting Policies**

#### **Nature of Organization**

Habitat for Humanity Vail Valley, Inc. is a non-profit, tax-exempt organization formed on April 1, 1995 to construct and renovate homes with and for people in need.

HFHELC Stratton Flats LLC was formed on October 18, 2013 under the laws of the State of Colorado, and serves as the holding company for land acquired for Habitat for Humanity Vail Valley, Inc. to construct homes.

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 consolidated financial statements. The ReStore is operated with the sole purpose of generating funds to assist the Organization's mission of building houses.

#### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Habitat for Humanity Vail Valley, Inc. and HFHELC Stratton Flats, LLC (collectively, referred to as the "Organization"). Habitat for Humanity Vail Valley, Inc. is the sole member of HFHELC Stratton Flats, LLC. All intercompany transactions and balances have been eliminated.

#### **Basis of Presentation**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

#### **Classification of Net Assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, funds to be held for an operating reserve.

# Habitat for Humanity Vail Valley, Inc.

## Notes to Consolidated Financial Statements

### December 31, 2018

#### (With Comparative Totals for December 31, 2017)

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#### **Note 1: Summary of Significant Accounting Policies** (Continued)

##### **Classification of Net Assets** (Continued)

*Net assets with donor restrictions:* Net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

##### **Use of Estimates**

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

##### **Income Tax Status**

Habitat for Humanity Vail Valley, Inc. 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 GAAP, 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.

##### **Comparative Financial Information**

The consolidated 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 GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

# Habitat for Humanity Vail Valley, Inc.

## Notes to Consolidated Financial Statements

### December 31, 2018

#### (With Comparative Totals for December 31, 2017)

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#### **Note 1: Summary of Significant Accounting Policies** (Continued)

##### **Fair Value of Financial Instruments**

The Organization's financial instruments include cash, 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.

##### **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, 2018 and 2017, and determined that an allowance is not necessary.

##### **Contributions and Grants Receivable**

Contributions and grants receivable represent written or oral agreements to contribute cash or other assets to the organization. At December 31, 2018 and 2017, management deemed all contributions and grants receivable to be fully collectible; accordingly, no allowance for uncollectible contributions and grants was required.

##### **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.

##### **Inventory - ReStore**

Inventories 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.

##### **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.

# Habitat for Humanity Vail Valley, Inc.

## Notes to Consolidated Financial Statements

### December 31, 2018

#### (With Comparative Totals for December 31, 2017)

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#### **Note 1: Summary of Significant Accounting Policies** (Continued)

##### **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.

##### **Property, Equipment, and Depreciation**

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. Useful lives range from 3 to 15 years.

##### **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, 2018 and 2017.

##### **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.

# Habitat for Humanity Vail Valley, Inc.

## Notes to Consolidated Financial Statements

### December 31, 2018

#### (With Comparative Totals for December 31, 2017)

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#### **Note 1: Summary of Significant Accounting Policies** (Continued)

##### **Revenue Recognition and Support**

The Organization records unconditional contributions in accordance with the requirements of GAAP for Not-for-Profit Organizations. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated 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 GAAP 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, 2018 and 2017, the Organization received and recognized \$6,535 and \$12,004, 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 consolidated financial statements because the recognition criteria was not met.

##### **Functional Allocation of Expenses**

The Consolidated Statements of Functional Expenses reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expense require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include indirect costs, such as, advertising, printing, and publication, bank and credit car fees, conferences, meals and entertainment, contract labor, depreciation, donor and volunteer recognition, insurance, office expenses, rent and property taxes, telephone and utilities, vehicle expenses, and employee costs, which are allocated on the basis of estimated time and effort. Construction costs, interest, mortgage discount, mortgage fees, and tithe are considered direct program expenses. Professional fees are considered direct management and general expenses.

# Habitat for Humanity Vail Valley, Inc.

## Notes to Consolidated Financial Statements

### December 31, 2018

#### (With Comparative Totals for December 31, 2017)

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#### **Note 1: Summary of Significant Accounting Policies** (Continued)

##### **Advertising**

The Organization uses advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$29,207 and \$32,940, respectively, for the years ended December 31, 2018 and 2017.

##### **Change in Accounting Principle**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, and netting of investment expenses with return, among other changes. The guidance in this ASU was adopted effective January 1, 2018, and was applied retrospectively to these financial statements, with the exception of certain omissions permitted by the ASU.

##### **Recently Issued Accounting Pronouncements**

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the provisions of ASC 606 on the Organization's consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize on the balance sheet a right-to-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for nonpublic companies for fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments in this update should be applied using a modified retrospective approach. The Organization is currently evaluating the effect that ASU 2016-02 will have on its consolidated financial statements.

# Habitat for Humanity Vail Valley, Inc.

## Notes to Consolidated Financial Statements

### December 31, 2018

(With Comparative Totals for December 31, 2017)

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#### **Note 1: Summary of Significant Accounting Policies** (Continued)

##### **Subsequent Events**

In preparing its consolidated financial statements, the Organization has evaluated subsequent events through July 08, 2019, which is the date the consolidated financial statements were available to be issued. Management of the Organization has not identified any subsequent events requiring disclosure, except as discussed in Notes 8 and 14.

#### **Note 2: Liquidity and Availability of Financial Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| <i>As of December 31,</i>  | 2018              | 2017                |
|--|-------------------|---------------------|
| Unrestricted Cash  | \$ 152,475        | \$ 1,486,314        |
| Accounts Receivable  | 1,254             | 51,639              |
| Contributions and Grants Receivable - Current                        | 518,621           | 413,647             |
| Mortgages Receivable - Current                                       | 21,650            | 23,853              |
| <b>Total Financial Assets</b>  | <b>694,000</b>    | <b>1,975,453</b>    |
| Less: Board Designations - Operating Reserve                         | 30,913            | 57,624              |
| Less: Restricted program contributions included in unrestricted cash | 15,000            | 38,000              |
| <b>Total Financial Assets Available for General Expenditure</b>      | <b>\$ 648,087</b> | <b>\$ 1,879,829</b> |

The Organization had board-designated funds totaling \$30,913 and \$57,624 for operating reserves as of December 31, 2018 and 2017, respectively. Although the Organization does not intend to spend from these board-designated funds other than for the designated purpose, these amounts could be made available if necessary.

The Organization does not have a formal liquidity policy. The Organization invests its financial assets in a manner consistent with the concept of prudent money management, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization has two lines of credit available for cash flow needs up to \$175,000 as further described in Note 8.

**Habitat for Humanity Vail Valley, Inc.**  
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**Note 3: 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.

*Contributions and Grants Receivable:* At December 31, 2018 and 2017, the Organization had one contribution receivable that accounted for 80% and 47%, 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.

**Note 4: Contributions and Grants Receivable**

Unconditional Contributions and Grants Receivable

The following is a summary of unconditional contributions and grants receivable:

| <i>As of December 31,</i>        | 2018                | 2017              |
|----------------------------------|---------------------|-------------------|
| Receivable in Less than One Year | \$ 518,621          | \$ 413,647        |
| Receivable in One to Five Years  | 726,000             | 72,000            |
|                                  | <b>\$ 1,244,621</b> | <b>\$ 485,647</b> |

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, 2018 and 2017, the Organization received and recognized into revenue \$15,000 and \$20,000, respectively, of the conditional contribution receivable.

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

|      |                  |
|------|------------------|
| 2019 | \$ 10,000        |
| 2020 | 5,000            |
|      | <b>\$ 15,000</b> |

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**Note 5: Mortgages Receivable**

The following is a summary of mortgages receivable:

| <i>As of December 31,</i>                                    | 2018         | 2017       |
|--|--------------|------------|
| Mortgages Receivable at Face Value                           | \$ 1,880,868 | \$ 793,262 |
| Less: Discount to Net Present Value                          | (987,448)    | (428,952)  |
| Net Mortgages Receivable                                     | 893,420      | 364,310    |
| Less: Current Portion - Net of Discount to Net Present Value | (21,650)     | (23,853)   |
| Long-Term Portion - Net of Discount to Net Present Value     | \$ 871,770   | \$ 340,457 |

During the years ended December 31, 2018 and 2017, the Organization funded seven new mortgages, in each year. At December 31, 2018 and 2017, the Organization had 14 and 7, 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 2018 and 2017, were 7.57% and 7.47%, respectively.

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

|            |              |
|------------|--------------|
| 2019       | \$ 88,286    |
| 2020       | 88,286       |
| 2021       | 88,286       |
| 2022       | 88,286       |
| 2023       | 85,972       |
| Thereafter | 1,441,752    |
|            | \$ 1,880,868 |

**Note 6: 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.**  
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**Note 6: Mortgage Loan Sales** (Continued)

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.

During the year ended December 31, 2018, there were no mortgage loan sales.

**Note 7: Notes Payable**

The following is a summary of the notes payable:

| <i>As of December 31,</i>   | 2018       | 2017       |
|---|------------|------------|
| 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) | \$ 61,643  | \$ 63,027  |
| 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)  | 61,735     | 63,221     |
|   | 123,378    | 126,248    |
| Less: Current Maturities Included in Current Liabilities  | 3,134      | 2,988      |
| Notes Payable - Due After One Year  | \$ 120,244 | \$ 123,260 |

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

|      |            |
|------|------------|
| 2019 | \$ 3,134   |
| 2020 | 3,286      |
| 2021 | 116,958    |
|      | \$ 123,378 |

**Habitat for Humanity Vail Valley, Inc.**  
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**Note 8: 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%. There was no outstanding balance on this line-of-credit at December 31, 2018 and 2017. The line matured in January 2019. The Organization renewed this line for an additional year, maturing January 30, 2020. There were no changes in terms, other than increasing the floor rate to 7.5%.

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, 2018 and 2017.

**Note 9: Operating Lease Commitments**

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

|      |  |    |  |            |
|------|--|----|--|------------|
| 2019 |  | \$ |  | 87,344     |
| 2020 |  |    |  | 74,444     |
| 2021 |  |    |  | 54,832     |
|      |  |    |  | \$ 216,620 |

For the years ended December 31, 2018 and 2017, rent expense was \$78,423 and \$74,092, respectively.

**Note 10: Net Assets**

Board Designated Net Assets: As of December 31, 2018 and 2017, the Organization has designated net assets in the amount of \$30,913 and \$57,624, respectively, for future operating reserves.

Net Assets With Donor Restrictions: The Organization receives donor restricted contributions from various organizations and individuals. The following is a summary of net assets with donor restrictions:

| <i>As of December 31,</i> | 2018         | 2017       |
|---------------------------|--------------|------------|
| Time Restrictions         | \$ 1,247,621 | \$ 485,647 |
| Cabinets                  | -            | 3,000      |
| Land Acquisition          | 15,000       | 35,000     |
|                           | \$ 1,262,621 | \$ 523,647 |

# Habitat for Humanity Vail Valley, Inc.

## Notes to Consolidated Financial Statements

### December 31, 2018

#### (With Comparative Totals for December 31, 2017)

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#### **Note 11: 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 \$32,018 and \$31,874, respectively, to the plan during the years ended December 31, 2018 and 2017.

#### **Note 12: 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, 2018 and 2017, \$25,841 and \$27,000 were contributed, respectively, to Habitat for Humanity International. As of December 31, 2018 and 2017, amounts payable to Habitat for Humanity International is \$25,287 and \$26,500, 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, 2018 and 2017, the Organization recognized \$56,500 and \$87,000, respectively, of grant revenue from Habitat for Humanity of Colorado. As of December 31, 2018 and 2017, included in contributions and grants receivable is \$-0- and \$40,000, respectively, of amounts due from Habitat for Humanity of Colorado. As of December 31, 2018 and 2017, amounts payable to Habitat for Humanity of Colorado is \$6,900 and \$-0-, respectively.

#### **Note 13: Reclassifications**

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 classifications.

#### **Note 14: 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 worked with the seller to extend the closing date. The closing occurred in October 2018.

In February 2018, the Organization entered into a purchase agreement with an unrelated third party to acquire land in Gypsum Colorado for \$10 to construct up to 12 affordable housing residences. In April 2019, the sale was finalized and the Organization entered into a deed transferring the land to the Organization. Pursuant to the agreement, the Organization is required to develop and sell 12 homes to be occupied by employees and the employees' families of the seller. No amounts relating to this transaction were recognized during 2018.