

Habitat for Humanity Vail Valley, Inc.

Consolidated Financial Statements

Year Ended December 31, 2019



WIPFLI

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. (the "Organization"), (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2019, 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, 2019, 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 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

June 25, 2020
Denver, Colorado

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Financial Position

December 31, 2019

(With Comparative Totals as of December 31, 2018)

ASSETS	2019	2018
Current Assets:		
Cash:		
Unrestricted Cash	\$ 471,704	\$ 152,475
Restricted Cash	118,587	103,159
Total Cash	590,291	255,634
Accounts Receivable	1,749	1,254
Current Portion of Contributions and Grants Receivable	192,000	518,621
Current Portion of Mortgages Receivable - Net of Discount to Net Present Value	11,944	21,650
Prepaid Expenses	40,327	34,260
Inventory - ReStore	595	2,381
Land Held for Development and Resale Inventory, Current Portion	905,242	168,051
Construction-in-Progress	1,428,320	641,049
Total Current Assets	3,170,468	1,642,900
Property and Equipment - At Cost:		
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	165,143	160,944
Property and Equipment - Net	11,405	15,604
Long-Term Assets:		
Deposits	11,150	4,950
Land Held for Development and Resale Inventory, Net of Current Portion	1,188,343	1,189,041
Long-Term Portion of Contributions and Grants Receivable	425,000	726,000
Long-Term Portion of Mortgages Receivable - Net of Discount to Net Present Value	535,301	871,770
Total Long-Term Assets	2,159,794	2,791,761
TOTAL ASSETS	\$ 5,341,667	\$ 4,450,265

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.
Consolidated Statements of Financial Position (Continued)
December 31, 2019
(With Comparative Totals as of December 31, 2018)

LIABILITIES AND NET ASSETS	2019	2018
Current Liabilities:		
Accounts Payable	\$ 53,443	\$ 91,776
Note Payable - Due Within One Year	3,239	3,134
Deferred Revenue	41,750	89,061
Other Current Liabilities	60,777	52,489
Total Current Liabilities	159,209	236,460
Long-Term Liabilities:		
Homeowner Escrow Deposits	108,990	95,388
Note Payable - Due After One Year	117,240	120,244
Total Long-Term Liabilities	226,230	215,632
Total Liabilities	385,439	452,092
Net Assets:		
Without Donor Restrictions:		
Undesignated	4,241,190	2,704,639
Board Designated	98,038	30,913
Total Net Assets Without Donor Restrictions	4,339,228	2,735,552
With Donor Restrictions	617,000	1,262,621
Total Net Assets	4,956,228	3,998,173
TOTAL LIABILITIES AND NET ASSETS	\$ 5,341,667	\$ 4,450,265

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Activities

For the Year Ended December 31, 2019

(With Comparative Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenues and Support				
Operating Revenue:				
Sale to Homeowners	\$ 830,000	\$ -	\$ 830,000	\$ 1,327,000
ReStore Revenue	578,208	-	578,208	565,067
Mortgage Discount Amortization	50,372	-	50,372	36,625
Gain on Sale of Mortgages	475,593	-	475,593	-
Other Program Income	9,109	-	9,109	4,950
Interest Income	1,463	-	1,463	8,791
Total Operating Revenue	1,944,745	-	1,944,745	1,942,433
Support:				
Contributions and Grants	652,605	323,749	976,354	1,627,169
Donated Land Held for Development	520,000	-	520,000	-
In-Kind Revenue	10,222	-	10,222	6,535
Special Events - Net	139,239	-	139,239	136,283
Total Support	1,322,066	323,749	1,645,815	1,769,987
Net Assets Released From Restriction	969,370	(969,370)	-	-
Total Revenues and Support	4,236,181	(645,621)	3,590,560	3,712,420
Expenses				
Program Services	1,745,968	-	1,745,968	2,392,324
ReStore	479,630	-	479,630	458,453
Management and General	153,812	-	153,812	127,326
Fundraising	253,095	-	253,095	214,622
Total Expenses	2,632,505	-	2,632,505	3,192,725
Change in Net Assets	1,603,676	(645,621)	958,055	519,695
Net Assets - Beginning of Year	2,735,552	1,262,621	3,998,173	3,478,478
NET ASSETS - END OF YEAR	\$ 4,339,228	\$ 617,000	\$ 4,956,228	\$ 3,998,173

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.
Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Program Services	ReStore	Management and General	Fundraising	Total 2019	Total 2018
Expenses						
Advertising	\$ 4,786	\$ 25,885	\$ 736	\$ 1,841	\$ 33,248	\$ 29,207
Bank and Credit Card Fees	-	11,138	2,027	6,080	19,245	17,154
Conferences, Meals, and Entertainment	4,546	2,253	909	606	8,314	9,688
Construction Costs	895,764	-	-	-	895,764	1,362,714
Cost of Goods Sold	-	6,416	-	-	6,416	7,613
Contract Labor	12,255	7,496	-	4,085	23,836	34,881
Cost of Direct Benefit to Donors	-	-	-	84,857	84,857	80,428
Depreciation	2,574	721	35	869	4,199	6,578
Discount on Mortgages	409,011	-	-	-	409,011	595,121
Donor and Volunteer Recognition	11,368	2,496	711	2,132	16,707	16,061
Employee Benefits	25,654	24,407	10,262	21,093	81,416	70,429
Insurance	17,746	12,449	3,132	-	33,327	31,017
Interest	30,414	-	-	-	30,414	38,820
Mortgage Fees	8,706	-	-	-	8,706	7,569
Office	24,969	10,669	2,937	1,469	40,044	43,581
Payroll Taxes	16,077	17,750	6,431	13,219	53,477	47,935
Professional Fees	-	11,892	27,004	-	38,896	33,800
Rent and Property Taxes	14,329	79,868	1,686	843	96,726	92,254
Salaries	244,008	231,152	97,603	200,629	773,392	681,090
Telephone and Utilities	2,882	20,930	339	170	24,321	24,677
Tithe	18,000	-	-	-	18,000	25,400
Vehicle	2,879	14,108	-	59	17,046	17,136
Total Expenses by Function	1,745,968	479,630	153,812	337,952	2,717,362	3,273,153
Less: Expenses Included with Revenues on the Consolidated Statements of Activities Cost of Direct Benefit to Donors	-	-	-	(84,857)	(84,857)	(80,428)
Total Expenses Included in the Expense Section on the Consolidated Statements of Activities	\$ 1,745,968	\$ 479,630	\$ 153,812	\$ 253,095	\$ 2,632,505	\$ 3,192,725

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.
Consolidated Statements of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 958,055	\$ 519,695
Adjustments to Reconcile Change in Net Assets to Net Cash Flows		
From Operating Activities:		
Depreciation	4,199	6,578
Mortgage Loans Issued - Net of Discount to Net Present Value	(326,887)	(542,637)
Mortgage Discount Amortization	(50,372)	(36,625)
Gain on Sale of Mortgage Loans	(475,593)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(495)	50,385
Contributions and Grants Receivable	627,621	(758,974)
Prepaid Expenses	(6,067)	(16,360)
Inventory - Restore	1,786	3,000
Land Held for Development and Resale Inventory	(736,493)	(1,092,696)
Construction-in-Progress	(787,271)	420,819
Deposits	(6,200)	19,200
Accounts Payable	(38,333)	35,319
Deferred Revenue	(47,311)	9,631
Other Current Liabilities	8,288	3,124
Homeowner Escrow Deposits	13,602	13,579
Net Cash Flows From Operating Activities	(861,471)	(1,365,962)
Cash Flows From Investing Activities:		
Proceeds from Bank Sales	1,137,319	-
Mortgage Payments Received	61,708	50,152
Net Cash Flows From Investing Activities	1,199,027	50,152
Cash Flows From Financing Activities:		
(Payments on) Note Payable	(2,899)	(2,870)
Net Change in Cash and Restricted Cash	334,657	(1,318,680)
Cash and Restricted Cash - Beginning of Year	255,634	1,574,314
Cash and Restricted Cash - End of Year	\$ 590,291	\$ 255,634
Supplemental Disclosure:		
Interest Paid	\$ 30,414	\$ 38,820

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

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.

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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2018, from which the summarized information was derived.

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, 2019 and 2018, and determined that an allowance is not necessary.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2019 and 2018, 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 and Resale Inventory

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.

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. Useful lives range from 3 to 15 years.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2019 and 2018.

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.

Revenue Recognition and Support

Revenue from the sale of completed homes is recognized upon the closing of the sale of the property. ReStore sales are recorded as revenue at the time of sale. Other program revenue is recognized when earned by the Organization.

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Support (Continued)

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

B. Grant Awards That Are Exchange Transactions

Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

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, 2019 and 2018, the Organization received and recognized \$10,222 and \$6,535, 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, expenses 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 card 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, 2019

(With Comparative Totals for December 31, 2018)

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 \$33,248 and \$29,207, respectively, for the years ended December 31, 2019 and 2018.

Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 Revenue From Contracts with Customers (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted this guidance as of January 1, 2019, and applied Topic 606 on a modified retrospective basis. The adoption of this guidance had no effect on the Organization's recognition of revenues from contracts with customers.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and in determining whether a contribution transaction is conditional. The Organization adopted this guidance as of January 1, 2019, with no effect on its recognition of contributions and grants received.

Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the statement of financial position 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, 2021. 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.

Subsequent Events

In preparing its consolidated financial statements, the Organization has evaluated subsequent events through June 25, 2020, which is the date the consolidated financial statements were available to be issued. The Organization has not identified any material subsequent events that require reporting or disclosure, except as discussed in Notes 6 and 15.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

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>	2019	2018
Unrestricted Cash	\$ 471,704	\$ 152,475
Accounts Receivable	1,749	1,254
Contributions and Grants Receivable - Current	192,000	518,621
Mortgages Receivable - Current	11,944	21,650
Total Financial Assets	677,397	694,000
Less: Board Designations - Operating Reserve	98,038	30,913
Less: Restricted Program Contributions included in Current Contributions and Grants Receivable	80,000	15,000
Total Financial Assets Available for General Expenditure	\$ 499,359	\$ 648,087

The Organization had board-designated funds totaling \$98,038 and \$30,913 for operating reserves as of December 31, 2019 and 2018, 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 \$200,000, as further described in Note 8.

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, 2019 and 2018, the Organization had one contribution receivable that accounted for 35% and 80%, 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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

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>	2019	2018
Receivable in Less than One Year	\$ 192,000	\$ 518,621
Receivable in One to Five Years	425,000	726,000
	<u>\$ 617,000</u>	<u>\$ 1,244,621</u>

Conditional Contribution

In 2016, the Organization was awarded a conditional contribution totaling \$75,000, payable in annual installments from 2016 through 2020. The contribution will be recognized as revenue when the conditions underlying the pledge are substantially met. During the years ended December 31, 2019 and 2018, the Organization received and recognized into revenue \$10,000 and \$15,000, respectively, of the conditional contribution.

The remaining conditional contribution amount of \$5,000 will be recognized in 2020, when and if the conditions are met.

Note 5: Mortgages Receivable

The following is a summary of mortgages receivable:

<i>As of December 31,</i>	2019	2018
Mortgages Receivable at Face Value	\$ 1,233,705	\$ 1,880,868
Less: Discount to Net Present Value	686,460	987,448
Net Mortgages Receivable	547,245	893,420
Less: Current Portion - Net of Discount to Net Present Value	11,944	21,650
Long-Term Portion - Net of Discount to Net Present Value	<u>\$ 535,301</u>	<u>\$ 871,770</u>

During the years ended December 31, 2019 and 2018, the Organization funded four and seven new mortgages, respectively. At December 31, 2019 and 2018, the Organization had 9 and 14, 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 2019 and 2018, were 7.66% and 7.57%, respectively.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

Note 5: Mortgages Receivable (Continued)

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

2020	\$	53,640
2021		53,640
2022		50,776
2023		50,040
2024		50,040
Thereafter		975,569
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Total	\$	1,233,705

Note 6: Mortgage Loan Sales

In February and June 2019, the Organization sold its interest in five mortgage loans to FirstBank, received \$608,873 in cash proceeds, and recognized a gain on sale of \$218,611.

In November 2019, the Organization sold its interest in three mortgage loans to Colorado Housing and Finance Authority (CHFA), received \$374,502 in cash proceeds, and recognized a gain on sale of \$208,275.

In August 2019, an owner of a home constructed by the Organization, sold the home back to the Organization for \$158,176. The mortgage on the home purchased, held by ANB, was "credited" to the Organization at closing. The Organization then transferred one of its outstanding mortgages to ANB as satisfaction for the "credited" amount. The Organization also received \$10,285 in cash as part of this transaction. A gain of \$48,707 was recognized as a result of this mortgage exchange. The home purchased from the homeowner for \$158,176 is included in land held for development as of December 31, 2019.

Subsequent to December 31, 2019, the Organization sold its interest in three mortgage loans to FirstBank and received \$472,343 in cash proceeds.

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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

Note 7: Note Payable

The following is a summary of the note payable:

<i>As of December 31,</i>	2019	2018
Alpine Bank (payable in monthly installments of \$739, including interest at 4.75%; secured by a mortgage; with a balloon payment due on December 7, 2021; this note served to refinance and consolidate existing debt from two other Alpine Bank loans, effective September 5, 2019)	\$ 120,479	\$ 123,378
Less: Current Maturities	3,239	3,134
Note Payable - Due After One Year	\$ 117,240	\$ 120,244

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

2020	\$ 3,239
2021	117,240
Total	\$ 120,479

Note 8: Lines-of-Credit

The Organization had negotiated a \$75,000 line-of-credit with FirstBank that was secured by deposit accounts. The line-of-credit had an interest rate at the Wall Street Journal prime rate plus 2%. In November 2019, the line-of-credit agreement was amended, increasing the line to \$100,000. The amended line bears interest at the Wall Street Journal prime rate plus 1.5%, with a floor rate of 4.75%. The line matures in November 2020. As of December 31, 2019 and 2018, there was no outstanding balance on the line-of-credit.

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, 2019 and 2018.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

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:

2020	\$	88,512
2021		68,963
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Total	\$	157,475

For the years ended December 31, 2019 and 2018, rent expense was \$85,776 and \$78,423, respectively.

Note 10: Net Assets

Board Designated Net Assets: As of December 31, 2019 and 2018, the Organization has designated net assets in the amount of \$98,038 and \$30,913, respectively, for 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:

<u>As of December 31,</u>	2019	2018
Time Restricted Contributions and Grants	\$ 617,000	\$ 1,262,621

Net assets totaling \$969,370 and \$410,197 were released from net assets with donor restrictions for the years ended December 31, 2019 and 2018, respectively, as a result of the Organization incurring expenditures satisfying the related purpose.

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 \$37,692 and \$32,018, respectively, to the plan during the years ended December 31, 2019 and 2018.

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, 2019 and 2018, \$18,000 and \$25,400 were contributed, respectively, to Habitat for Humanity International. As of December 31, 2019 and 2018, amounts payable to Habitat for Humanity International is \$18,000 and \$25,488, respectively.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2019

(With Comparative Totals for December 31, 2018)

Note 12: Transactions with Affiliates (Continued)

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, 2019 and 2018, the Organization recognized \$51,500 and \$56,500, respectively, of grant revenue from Habitat for Humanity of Colorado. As of December 31, 2019 and 2018, amounts payable to Habitat for Humanity of Colorado is \$5,069 and \$6,900, respectively.

Note 13: Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 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 and sale 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 the seller's employees and their families. During the year ended December 31, 2019, the Organization recognized an in-kind land donation of \$520,000. The value was determined by an independent appraisal of the property.

Note 15: Subsequent Events

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Virus Crisis ("CV19 Crisis"), which has had a direct impact on the Organization, resulting in temporary closure of the Restore facility. The long-term impact of the CV19 Crisis on the Organization cannot be reasonably estimated at this time. In response, the Organization applied for and received a loan in the amount of \$181,400 pursuant to the Paycheck Protection Program ("PPP"), administered by the Small Business Administration. The loan bears interest at a rate of 1.00% and is due in April 2022. If certain criteria are met, the SBA may forgive all or a portion of the loan. As of the date of the issuance of the consolidated financial statements, the loan forgiveness criteria have not been finalized, and no determination of forgiveness can be made.