

Habitat for Humanity Vail Valley, Inc.

Consolidated Financial Statements

Years Ended December 31, 2020 and 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 statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

June 28, 2021
Denver, Colorado

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Financial Position

December 31, 2020 and 2019

| ASSETS | 2020 | 2019 |
|--|---------------------|---------------------|
| Current Assets: | | |
| Cash: | | |
| Unrestricted Cash | \$ 809,280 | \$ 471,704 |
| Restricted Cash | 128,995 | 118,587 |
| Total Cash | 938,275 | 590,291 |
| Accounts Receivable | 1,468 | 1,749 |
| Current Portion of Contributions and Grants Receivable | 270,030 | 192,000 |
| Current Portion of Mortgages Receivable - Net of Discount to Net Present Value | 32,728 | 11,944 |
| Prepaid Expenses and Other | 17,590 | 40,922 |
| Land Held for Development and Resale Inventory, Current Portion | 352,409 | 905,242 |
| Construction-in-Progress | 1,266,650 | 1,428,320 |
| Total Current Assets | 2,879,150 | 3,170,468 |
| 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 | 167,953 | 165,143 |
| Property and Equipment - Net | 8,595 | 11,405 |
| Long-Term Assets: | | |
| Deposits | 13,850 | 11,150 |
| Land Held for Development and Resale Inventory - Net of Current Portion | 1,190,191 | 1,188,343 |
| Long-Term Portion of Contributions and Grants Receivable | 127,668 | 425,000 |
| Long-Term Portion of Mortgages Receivable - Net of Discount to Net Present Value | 947,099 | 535,301 |
| Total Long-Term Assets | 2,278,808 | 2,159,794 |
| TOTAL ASSETS | \$ 5,166,553 | \$ 5,341,667 |

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Financial Position (Continued)

December 31, 2020 and 2019

| LIABILITIES AND NET ASSETS | 2020 | 2019 |
|--|---------------------|---------------------|
| Current Liabilities: | | |
| Accounts Payable | \$ 81,032 | \$ 53,443 |
| Note Payable - Due Within One Year | 3,752 | 3,239 |
| Deferred Revenue | - | 41,750 |
| Other Current Liabilities | 60,266 | 60,777 |
| Total Current Liabilities | 145,050 | 159,209 |
| Long-Term Liabilities: | | |
| Homeowner Escrow Deposits | 120,897 | 108,990 |
| Note Payable - Due After One Year | 113,474 | 117,240 |
| Paycheck Protection Program Loan | 181,400 | - |
| Total Long-Term Liabilities | 415,771 | 226,230 |
| Total Liabilities | 560,821 | 385,439 |
| Net Assets: | | |
| Without Donor Restrictions: | | |
| Undesignated | 4,065,007 | 4,241,190 |
| Board Designated | 100,493 | 98,038 |
| Total Net Assets Without Donor Restrictions | 4,165,500 | 4,339,228 |
| With Donor Restrictions | 440,232 | 617,000 |
| Total Net Assets | 4,605,732 | 4,956,228 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,166,553 | \$ 5,341,667 |

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statement of Activities

For the Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total 2020 |
|---------------------------------------|----------------------------------|-------------------------------|---------------------|
| Revenues and Support | | | |
| Operating Revenue: | | | |
| Sales to Homeowners | \$ 1,920,000 | \$ - | \$ 1,920,000 |
| ReStore Revenue | 322,173 | - | 322,173 |
| Mortgage Discount Amortization | 103,298 | - | 103,298 |
| Gain on Sale of Mortgages | 216,472 | - | 216,472 |
| Other Program Income | 24,298 | - | 24,298 |
| Interest Income | 169 | - | 169 |
| Total Operating Revenue | 2,586,410 | - | 2,586,410 |
| Support: | | | |
| Contributions and Grants | 946,051 | 337,698 | 1,283,749 |
| Donated Land Held for Development | - | - | - |
| In-Kind Donations | 7,080 | - | 7,080 |
| Special Events - Net | 139,841 | - | 139,841 |
| Net Assets Released from Restrictions | 514,466 | (514,466) | - |
| Total Support | 1,607,438 | (176,768) | 1,430,670 |
| Total Revenues and Support | 4,193,848 | (176,768) | 4,017,080 |
| Expenses | | | |
| Program Services: | | | |
| Homeowner and Family Services | 3,588,632 | - | 3,588,632 |
| ReStore | 393,097 | - | 393,097 |
| Total Program Services | 3,981,729 | - | 3,981,729 |
| Supporting Services: | | | |
| Management and General | 146,619 | - | 146,619 |
| Fundraising | 239,228 | - | 239,228 |
| Total Supporting Services | 385,847 | - | 385,847 |
| Total Expenses | 4,367,576 | - | 4,367,576 |
| Change in Net Assets | (173,728) | (176,768) | (350,496) |
| Net Assets - Beginning of Year | 4,339,228 | 617,000 | 4,956,228 |
| NET ASSETS - END OF YEAR | \$ 4,165,500 | \$ 440,232 | \$ 4,605,732 |

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statement of Activities

For the Year Ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total 2019 |
|---------------------------------------|----------------------------------|-------------------------------|---------------------|
| Revenues and Support | | | |
| Operating Revenue: | | | |
| Sales to Homeowners | \$ 830,000 | \$ - | \$ 830,000 |
| ReStore Revenue | 578,208 | - | 578,208 |
| Mortgage Discount Amortization | 50,372 | - | 50,372 |
| Gain on Sale of Mortgages | 475,593 | - | 475,593 |
| Other Program Income | 9,109 | - | 9,109 |
| Interest Income | 1,463 | - | 1,463 |
| Total Operating Revenue | 1,944,745 | - | 1,944,745 |
| Support: | | | |
| Contributions and Grants | 652,605 | 323,749 | 976,354 |
| Donated Land Held for Development | 520,000 | - | 520,000 |
| In-Kind Donations | 10,222 | - | 10,222 |
| Special Events - Net | 139,239 | - | 139,239 |
| Net Assets Released from Restrictions | 969,370 | (969,370) | - |
| Total Support | 2,291,436 | (645,621) | 1,645,815 |
| Total Revenues and Support | 4,236,181 | (645,621) | 3,590,560 |
| Expenses | | | |
| Program Expenses: | | | |
| Homeowner and Family Services | 1,745,968 | - | 1,745,968 |
| ReStore | 479,630 | - | 479,630 |
| Total Program Services | 2,225,598 | - | 2,225,598 |
| Supporting Services: | | | |
| Management and General | 153,812 | - | 153,812 |
| Fundraising | 253,095 | - | 253,095 |
| Total Supporting Services | 406,907 | - | 406,907 |
| Total Expenses | 2,632,505 | - | 2,632,505 |
| Change in Net Assets | 1,603,676 | (645,621) | 958,055 |
| Net Assets - Beginning of Year | 2,735,552 | 1,262,621 | 3,998,173 |
| NET ASSETS - END OF YEAR | \$ 4,339,228 | \$ 617,000 | \$ 4,956,228 |

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2020

| | Homeowner and Family Services | ReStore | Management and General | Fundraising | Total 2020 |
|---|-------------------------------------|-------------------|---------------------------|-------------------|---------------------|
| Expenses | | | | | |
| Advertising | \$ 3,882 | \$ 17,364 | \$ 597 | \$ 1,493 | \$ 23,336 |
| Bank and Credit Card Fees | - | 7,233 | 1,327 | 3,980 | 12,540 |
| Conferences, Meals, and Entertainment | 2,655 | 1,140 | 531 | 354 | 4,680 |
| Construction Costs | 2,125,923 | - | - | - | 2,125,923 |
| Contract Labor | 12,692 | 1,387 | - | 4,231 | 18,310 |
| Cost of Direct Benefit to Donors | - | - | - | 12,201 | 12,201 |
| Depreciation | 1,722 | 483 | 23 | 582 | 2,810 |
| Discount on Mortgages | 1,008,091 | - | - | - | 1,008,091 |
| Donor and Volunteer Recognition | 7,157 | 921 | 447 | 1,342 | 9,867 |
| Employee Benefits | 24,651 | 23,356 | 9,860 | 20,269 | 78,136 |
| Insurance | 26,022 | 18,596 | 4,592 | - | 49,210 |
| Interest | 41,762 | - | - | - | 41,762 |
| Miscellaneous | 5,872 | - | - | - | 5,872 |
| Mortgage Fees | 3,187 | - | - | - | 3,187 |
| Office | 32,392 | 7,881 | 3,811 | 1,905 | 45,989 |
| Payroll Taxes | 16,238 | 14,341 | 6,495 | 13,351 | 50,425 |
| Professional Fees | - | 11,622 | 24,356 | - | 35,978 |
| Rent and Property Taxes | 12,013 | 75,349 | 1,413 | 707 | 89,482 |
| Salaries | 232,043 | 187,395 | 92,817 | 190,791 | 703,046 |
| Telephone and Utilities | 2,972 | 18,316 | 350 | 175 | 21,813 |
| Tithe | 27,000 | - | - | - | 27,000 |
| Vehicle | 2,358 | 7,713 | - | 48 | 10,119 |
| Total Expenses by Function | 3,588,632 | 393,097 | 146,619 | 251,429 | 4,379,777 |
| Less: Expenses Included with Revenues on the Consolidated Statements of Activities | | | | | |
| Cost of Direct Benefit to Donors | - | - | - | (12,201) | (12,201) |
| Total Expenses Included in the Expense Section on the Consolidated Statement of Activities | \$ 3,588,632 | \$ 393,097 | \$ 146,619 | \$ 239,228 | \$ 4,367,576 |

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2019

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

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Cash Flow

For the Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ (350,496) | \$ 958,055 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Flows | | |
| From Operating Activities: | | |
| Depreciation | 2,810 | 4,199 |
| Mortgage Loans Issued - Net of Discount to Net Present Value | (753,740) | (326,887) |
| Mortgage Discount Amortization | (103,298) | (50,372) |
| Gain on Sale of Mortgage Loans | (216,472) | (475,593) |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | 281 | (495) |
| Contributions and Grants Receivable | 219,302 | 627,621 |
| Prepaid Expenses and Other | 23,332 | (4,281) |
| Land Held for Development and Resale Inventory | 550,985 | (736,493) |
| Construction-in-Progress | 161,670 | (787,271) |
| Deposits | (2,700) | (6,200) |
| Accounts Payable | 27,589 | (38,333) |
| Deferred Revenue | (41,750) | (47,311) |
| Other Current Liabilities | (511) | 8,288 |
| Homeowner Escrow Deposits | 11,907 | 13,602 |
| Net Cash Flows From Operating Activities | (471,091) | (861,471) |
| Cash Flows From Investing Activities: | | |
| Proceeds from Bank Sales | 483,494 | 1,137,319 |
| Mortgage Payments Received | 157,434 | 61,708 |
| Net Cash Flows From Investing Activities | 640,928 | 1,199,027 |
| Cash Flows From Financing Activities: | | |
| (Payments on) Note Payable | (3,253) | (2,899) |
| Proceeds from SBA Paycheck Protection Program Loan | 181,400 | - |
| Net Cash Flows From Financing Activities | 178,147 | (2,899) |
| Net Change in Cash and Restricted Cash | 347,984 | 334,657 |
| Cash and Restricted Cash - Beginning of Year | 590,291 | 255,634 |
| Cash and Restricted Cash - End of Year | \$ 938,275 | \$ 590,291 |
| Supplemental Disclosure: | | |
| Cash Paid for Interest | \$ 41,762 | \$ 30,414 |

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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. In an effort to impact more lives in the community, the Organization has expanded its family services program to provide additional resources to support individuals and families on their path to housing stability. By providing wrap around support, this complementary program connects people with existing community resources and provides a roadmap to realize a more stable future. This program is available to all members of the community.

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

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 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).

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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019, and determined that no allowance is 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, 2020 and 2019, 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 to their present value based upon the prevailing market interest rates at the inception of the mortgage. The discount is amortized over the life of the loan using the interest method. The rates determined by the Internal Revenue Service used to discount the mortgages funded for the years ended December 31, 2020 and 2019, were 7.38% and 7.66%, respectively. From time-to-time, the Organization may sell mortgages rather than hold them to term. In this situation, the gain or loss on the sale of mortgages is recorded in the year in which the mortgage is sold.

All mortgages receivable are collateralized by the respective homes sold. Key members of management meet on a regular basis to review delinquent loans and to consider if any foreclosure proceedings should be initiated. Receivable balances are considered to be delinquent based on the contractual terms. The need for an allowance is based on past collection experience and an analysis of current mortgage receivable collectability. Management believes that the fair value of each underlying mortgaged property exceeds the value of the associated outstanding mortgage loan and, therefore, no allowance for uncollectible mortgages is recorded.

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. Costs are periodically reviewed for impairment. Based on the Organization's evaluation, no impairment exists as of December 31, 2020 and 2019.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 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.

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, 2020 and 2019.

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.

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, 2020 and 2019, the Organization received and recognized \$7,080 and \$10,222, 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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Support

Operating Revenues: Revenue from operations is primarily derived from ReStore and home sales. Revenues from these sources is recognized when the services are provided, in an amount that reflects the consideration that the Organization expects to be entitled to in exchange for those services. All revenues from contracts with customers is recognized at a point-in-time.

ReStore sales revenue are primarily from customers in Eagle and surrounding counties with payment due at the point of sale. The nature of these sales does not give rise to contract costs or any variable consideration or warranties.

Home sales are to qualified low-income individuals and families in the Vail Valley, Colorado area. Homes are sold at the approximate cost to build the home and funded primarily through financing provided by the Organization. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgage. Some qualified buyers may receive down payment assistance from other agencies to reduce their loan amount. The Organization recognizes revenue from home sales when a home closing occurs and title is transferred to the home buyer. The nature of these sales does not give rise to any other contract costs or variable considerations.

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.

Contribution Revenues: 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 identification 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 conditions to entitlement are achieved. 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, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Support (Continued)

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

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.

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.

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.

Advertising

The Organization uses advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$23,336 and \$33,248, respectively, for the years ended December 31, 2020 and 2019.

Subsequent Events

In preparing its consolidated financial statements, the Organization has evaluated subsequent events through June 28, 2021, which is the date the consolidated financial statements were available to be issued. Other than as described in Note 8, related to the Forgiveness of the loan outstanding under the Paycheck Protection Program loan, there are no events that have occurred subsequent to year-end that require disclosure or recognition in these financial statements.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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 Organization is currently evaluating the effect that ASU 2016-02 will have on its consolidated financial statements.

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> | 2020 | 2019 |
|---|------------|------------|
| Unrestricted Cash | \$ 809,280 | \$ 471,704 |
| Accounts Receivable | 1,468 | 1,749 |
| Contributions and Grants Receivable - Current | 270,030 | 192,000 |
| Mortgages Receivable - Current | 32,728 | 11,944 |
| Total Financial Assets | 1,113,506 | 677,397 |
| Less: Board Designations - Operating Reserve | 100,493 | 98,038 |
| Less: Restricted Program Contributions included in Current Contributions and Grants Receivable | 80,000 | 80,000 |
| Total Financial Assets Available for General Expenditure | \$ 933,013 | \$ 499,359 |

The Organization had board-designated funds totaling \$100,493 and \$98,038 for operating reserves as of December 31, 2020 and 2019, 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 a total of \$200,000, as further described in Note 9.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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: There was no concentration of receivables at December 31, 2020. At December 31, 2019, the Organization had one contribution receivable that accounted for 35% of the outstanding total receivables. The full amount of the receivable was collected in 2020 in accordance with the respective payment schedule established by the donor.

Note 4: Contributions and Grants Receivable

The following is a summary of contributions and grants receivable:

| <i>As of December 31,</i> | 2020 | 2019 |
|---------------------------------------|------------|------------|
| Receivables Due in Less than One Year | \$ 270,030 | \$ 192,000 |
| Receivables Due in one to Five Years | 127,668 | 425,000 |
| Total | \$ 397,698 | \$ 617,000 |

Conditional Contribution

In 2016, the Organization was awarded a conditional contribution totaling \$75,000, payable in annual installments from 2016 through 2020. The contribution is recognized as revenue when the conditions underlying the pledge are substantially met. During the years ended December 31, 2020 and 2019, the Organization received and recognized into revenue \$5,000 and \$10,000, respectively, of the conditional contribution. All amounts from the conditional contribution have been collected and recognized as revenue as of December 31, 2020.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 5: Mortgages Receivable

The following is a summary of mortgages receivable:

| <i>As of December 31,</i> | 2020 | 2019 |
|--|--------------|--------------|
| Mortgages Receivable at Face Value | \$ 2,260,930 | \$ 1,233,705 |
| Less: Discount to Net Present Value | 1,281,103 | 686,460 |
| Net Mortgages Receivable | 979,827 | 547,245 |
| Less: Current Portion - Net of Discount to Net Present Value | 32,728 | 11,944 |
| Long-Term Portion - Net of Discount to Net Present Value | \$ 947,099 | \$ 535,301 |

During the years ended December 31, 2020 and 2019, the Organization funded eight and four new mortgages, respectively. At December 31, 2020 and 2019, the Organization had 13 and 9, respectively, of outstanding mortgages receivable, with applicable discount rates ranging from 7.38% to 8.53%.

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

| | |
|------------|--------------|
| 2021 | \$ 87,120 |
| 2022 | 86,684 |
| 2023 | 86,684 |
| 2024 | 86,684 |
| 2025 | 86,684 |
| Thereafter | 1,827,074 |
| Total | \$ 2,260,930 |

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 6: Mortgage Loan Sales

From time to time the Organization will sell mortgages to financial institutions and certain governmental entities. These sales generate cash for the organization, the proceeds of which are invested in new construction and homeowner and family services. The Gain on Sale of Mortgages in the Consolidated Statement of Activities is a result of a lower discount rate on the sale of the loan than the discount rate used when the mortgages were first recorded by the Organization.

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.

In March 2020, the Organization sold its interest in three mortgage loans to FirstBank, receiving \$483,494 in cash proceeds, and recognizing a gain on the sale of \$216,472.

In February and June 2019, the Organization sold its interest in five mortgage loans to FirstBank, receiving \$608,873 in cash proceeds, and recognizing a gain on the 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 Bank, 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, 2020 and 2019. The Organization anticipates that this home will be sold to another homeowner in 2021.

Note 7: Note Payable

The following is a summary of the note payable:

| <i>As of December 31,</i> | 2020 | 2019 |
|--|------------|------------|
| Alpine Bank (payable in monthly installments of \$697, including interest at 4.00%; secured by a mortgage; with a balloon payment due on August 7, 2030) | \$ 117,226 | \$ 120,479 |
| Less: Current Maturities | 3,752 | 3,239 |
| Note Payable - Due After One Year | \$ 113,474 | \$ 117,240 |

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 7: Note Payable (Continued)

Future maturities for the years ended December 31, are summarized as follows:

| | | |
|------------|----|------------|
| 2021 | \$ | 3,752 |
| 2022 | | 3,904 |
| 2023 | | 4,064 |
| 2024 | | 4,229 |
| 2025 | | 4,401 |
| Thereafter | | 96,876 |
| Total | | \$ 117,226 |

Note 8: Paycheck Protection Program Loan

As of December 31, 2020, the Organization had an outstanding loan of \$181,400 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Under the terms of the original loan agreement, the loan bears interest at a rate of 1% with monthly payments of principal and interest commencing seven months after funding and extending for a two-year term. If certain criteria are met, the SBA will forgive all or a portion of the loan.

Subsequent to executing the loan document, the Paycheck Protection Program Flexibility Act was signed into law which modified the terms of the PPP. The modification to the program also extended the deferral period for payments of principal and interest to the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period (8 or 24 weeks).

While the Organization believes, based upon current information, all or substantially all of the loan and accrued interest will be forgiven under the program, under GAAP, any forgiveness is not recognized until a formal forgiveness determination is made by the SBA.

The loan was formally forgiven by the financial institution and recognized into income by the Organization on May 25, 2021.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 9: Lines-of-Credit

The Organization has negotiated a \$100,000 line-of-credit with FirstBank that is secured by deposit accounts. The 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 2021.

The Organization has also 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.

From time to time the Organization will utilize one of both of these lines-of-credit. As of December 31, 2020 and 2019, there were no outstanding balances on either of the lines-of-credit.

Note 10: Operating Lease Commitments

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

| | | |
|-------|----|------------|
| 2021 | \$ | 81,000 |
| 2022 | | 38,000 |
| Total | | \$ 119,000 |

For the years ended December 31, 2020 and 2019, rent expense was \$80,338 and \$85,776, respectively.

Note 11: Net Assets

Board Designated Net Assets: As of December 31, 2020 and 2019, the Organization has designated net assets in the amount of \$100,493 and \$98,038, 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:

| As of December 31, | 2020 | 2019 |
|---|------------|------------|
| Purpose Restricted -Family Relief Mortgage Forbearance Fund | \$ 42,534 | \$ - |
| Time Restricted - Contributions and Grants | 397,698 | 617,000 |
| Total | \$ 440,232 | \$ 617,000 |

Net assets totaling \$514,466 and \$969,370 were released from net assets with donor restrictions for the years ended December 31, 2020 and 2019, respectively, as a result of the Organization incurring expenditures satisfying the related purpose.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 12: 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 \$38,300 and \$37,692, respectively, to the plan during the years ended December 31, 2020 and 2019.

Note 13: Transactions with Affiliates

The Organization voluntarily tithes 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, 2020 and 2019, \$27,000 and \$18,000 were tithed, respectively, to Habitat for Humanity International. As of December 31, 2020 and 2019, amounts payable to Habitat for Humanity International was \$13,500 and \$18,000, 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, 2020 and 2019, the Organization recognized \$170,500 and \$51,500, respectively, of grant revenue from Habitat for Humanity of Colorado. As of December 31, 2020 and 2019, amounts payable to Habitat for Humanity of Colorado is \$-0- and \$5,069, respectively.

Note 14: Land Acquisitions

In February 2018 the Organization entered into a purchase and sale agreement with an unrelated third party to acquire land in Gypsum, Colorado for nominal consideration of \$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. The Organization completed the deed transfer in 2019 and recognized an in-kind land donation of \$520,000. The value was determined by an independent appraisal of the property.

During the year ended December 31, 2020, the Organization completed and sold 6 homes under this agreement. As a result of these home sales, the Organization recognized \$260,000 of land costs, which are included in construction costs on the accompanying Consolidated Statement of Activities.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Note 15: Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic.” First identified in late 2019 and known now as COVID-19, the outbreak has impacted individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

COVID-19 impacted certain of the Organization's operations in 2020 and is expected to impact various segments of the Organization's 2021 operations and financial results. Management believes that the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

Due to COVID-19, the Organization's ReStore was shut down for 8 weeks. Once the store reopened, it operated with limited capacity for the remainder of 2020 to comply with local and state public health orders. As a result, the decrease in revenue numbers reflect these circumstances.