

Habitat for Humanity Vail Valley, Inc.

Consolidated Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2021 and 2020



WIPFLI

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements (the "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, 2021 and 2020, 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.

In our opinion, the accompanying 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, 2021 and 2020, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity Vail Valley, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Vail Valley, Inc.'s ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat for Humanity Vail Valley, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Vail Valley, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Wipfli LLP
Wipfli LLP

Denver, Colorado
June 22, 2022

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Financial Position

December 31, 2021 and 2020

ASSETS	2021	2020
Current Assets:		
Cash:		
Unrestricted Cash	\$ 576,304	\$ 809,280
Restricted Cash	147,226	128,995
Total Cash	723,530	938,275
Accounts Receivable	1,803	1,468
Current Portion of Contributions and Grants Receivable	603,932	270,030
Current Portion of Mortgages Receivable - Net of Discount to Net Present Value	34,539	32,728
Prepaid Expenses and Other	21,065	17,590
Land Held for Development and Resale Inventory, Current Portion	186,504	352,409
Construction-in-Progress	629,996	1,266,650
Total Current Assets	2,201,369	2,879,150
Property and Equipment - At Cost:		
Leasehold Improvements	50,461	50,461
Vehicles	-	64,066
Software	15,860	15,860
Equipment and Furniture	46,161	46,161
Building	3,196,745	-
Land	179,580	-
	3,488,807	176,548
Less: Accumulated Depreciation	112,923	167,953
Property and Equipment - Net	3,375,884	8,595
Long-Term Assets:		
Deposits	17,150	13,850
Land Held for Development and Resale Inventory - Net of Current Portion	1,116,528	1,190,191
Long-Term Portion of Contributions and Grants Receivable	776,500	127,668
Long-Term Portion of Mortgages Receivable - Net of Discount to Net Present Value	1,638,696	947,099
Total Long-Term Assets	3,548,874	2,278,808
TOTAL ASSETS	\$ 9,126,127	\$ 5,166,553

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Financial Position (Continued)

December 31, 2021 and 2020

LIABILITIES AND NET ASSETS	2021	2020
Current Liabilities:		
Accounts Payable	\$ 127,405	\$ 81,032
Notes Payable - Due Within One Year	318,985	3,752
Deferred Revenue	136,403	-
Other Current Liabilities	114,834	60,266
Total Current Liabilities	697,627	145,050
Long-Term Liabilities:		
Homeowner Escrow Deposits	133,037	120,897
Notes Payable - Due Beyond One Year	2,744,563	113,474
SBA Paycheck Protection Program Loan	-	181,400
Total Long-Term Liabilities	2,877,600	415,771
Total Liabilities	3,575,227	560,821
Net Assets:		
Without Donor Restrictions:		
Undesignated	4,200,825	4,065,007
Board-Designated	67,317	100,493
Total Net Assets Without Donor Restrictions	4,268,142	4,165,500
With Donor Restrictions	1,282,758	440,232
Total Net Assets	5,550,900	4,605,732
TOTAL LIABILITIES AND NET ASSETS	\$ 9,126,127	\$ 5,166,553

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statement of Activities

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Revenues and Support			
Operating Revenue:			
Sales to Homeowners	\$ 1,680,000	\$ -	\$ 1,680,000
ReStore Revenue	465,302	-	465,302
Mortgage Discount Amortization	48,269	-	48,269
Gain on Sale of Mortgages and Swap	168,727	-	168,727
Gain on Sale of Property and Equipment	9,750	-	9,750
Forgiveness of SBA Paycheck Protection Program Loan	181,400	-	181,400
Other Program Income	25,723	-	25,723
Total Operating Revenue	2,579,171	-	2,579,171
Support:			
Contributions and Grants	1,089,162	1,458,900	2,548,062
In-Kind Donations	6,572	-	6,572
Special Events - Net	(906)	-	(906)
Net Assets Released from Restrictions	616,374	(616,374)	-
Total Support	1,711,202	842,526	2,553,728
Total Revenues and Support	4,290,373	842,526	5,132,899
Expenses			
Program Services:			
Homeowner and Family Services	3,305,128	-	3,305,128
ReStore	425,561	-	425,561
Total Program Services	3,730,689	-	3,730,689
Supporting Services:			
Management and General	169,443	-	169,443
Fundraising	287,599	-	287,599
Total Supporting Services	457,042	-	457,042
Total Expenses	4,187,731	-	4,187,731
Change in Net Assets	102,642	842,526	945,168
Net Assets - Beginning of Year	4,165,500	440,232	4,605,732
NET ASSETS - END OF YEAR	\$ 4,268,142	\$ 1,282,758	\$ 5,550,900

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	24,467	-	24,467
Total Operating Revenue	2,586,410	-	2,586,410
Support:			
Contributions and Grants	946,051	337,698	1,283,749
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 Expenses:			
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 Functional Expenses

For the Year Ended December 31, 2021

	Homeowner and Family Services	ReStore	Management and General	Fundraising	Total 2021
Expenses					
Advertising	\$ 7,844	\$ 19,831	\$ 1,207	\$ 3,017	\$ 31,899
Bank and Credit Card Fees	-	8,557	417	1,250	10,224
Conferences, Meals, and Entertainment	3,770	2,102	754	503	7,129
Construction Costs	2,319,164	-	-	-	2,319,164
Contract Labor	18,095	6,892	-	6,032	31,019
Cost of Direct Benefit to Donors	-	-	-	1,906	1,906
Depreciation	6,408	379	86	2,165	9,038
Discount on Mortgages	459,932	-	-	-	459,932
Donor and Volunteer Recognition	13,000	1,268	813	2,438	17,519
Employee Benefits	26,253	26,873	10,501	21,586	85,213
Insurance	23,987	17,613	4,233	-	45,833
Interest	37,349	-	-	-	37,349
Miscellaneous	6,916	-	-	-	6,916
Mortgage Fees	3,355	-	-	-	3,355
Office	26,134	15,667	3,071	1,537	46,409
Payroll Taxes	19,887	14,510	7,955	16,351	58,703
Professional Fees	-	11,771	25,426	-	37,197
Rent and Property Taxes	17,932	87,745	2,110	1,055	108,842
Salaries	281,480	184,904	112,592	231,439	810,415
Telephone and Utilities	2,361	18,340	278	139	21,118
Tithe	27,000	-	-	-	27,000
Vehicle	4,261	9,109	-	87	13,457
Total Expenses by Function	3,305,128	425,561	169,443	289,505	4,189,637
Less: Expenses Included with Revenues on the Consolidated Statement of Activities					
Cost of Direct Benefit to Donors	-	-	-	(1,906)	(1,906)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	\$ 3,305,128	\$ 425,561	\$ 169,443	\$ 287,599	\$ 4,187,731

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 Statement 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 Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 945,168	\$ (350,496)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows		
From Operating Activities:		
Depreciation	9,038	2,810
Mortgage Loans Issued - Net of Discount to Net Present Value	(963,908)	(753,740)
Mortgage Discount Amortization	(48,269)	(103,298)
Gain on Sale of Mortgage Loans	(152,556)	(216,472)
Gain on Swap of Mortgage Loan	(16,171)	-
Gain on Sale of Property and Equipment	(9,750)	-
Forgiveness of SBA Paycheck Protection Program Loan	(181,400)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(335)	281
Contributions and Grants Receivable	(982,734)	219,302
Prepaid Expenses and Other	(3,475)	23,332
Land Held for Development and Resale Inventory	239,568	550,985
Construction-in-Progress	636,654	161,670
Deposits	(3,300)	(2,700)
Accounts Payable	46,373	27,589
Deferred Revenue	136,403	(41,750)
Other Current Liabilities	54,568	(511)
Homeowner Escrow Deposits	12,140	11,907
Net Cash Flows (Used) by Operating Activities	(281,986)	(471,091)
Cash Flows From Investing Activities:		
Proceeds from Mortgage Sales	380,663	483,494
Mortgage Payments Received	79,228	157,434
Proceeds from Mortgage Swap	27,605	-
Purchase of Property and Equipment	(676,327)	-
Proceeds from Sale of Property and Equipment	9,750	-
Net Cash Flows (Used) Provided by Investing Activities	(179,081)	640,928
Cash Flows From Financing Activities:		
Proceeds from Notes Payable	250,000	-
Repayment of Notes Payable	(3,678)	(3,253)
Proceeds from SBA Paycheck Protection Program Loan	-	181,400
Net Cash Flows Provided by Financing Activities	246,322	178,147
Net Change in Cash and Restricted Cash	(214,745)	347,984
Cash and Restricted Cash - Beginning of Year	938,275	590,291
Cash and Restricted Cash - End of Year	\$ 723,530	\$ 938,275

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Cash Flows (Continued)

For the Years Ended December 31, 2021 and 2020

	2021	2020
<u>Supplemental Disclosure:</u>		
Cash Paid for Interest	\$ 37,349	\$ 41,762
SBA Paycheck Protection Program Loan Forgiveness	\$ 181,400	-
Proceeds from Note Payable for Purchase of Property and Equipment	\$ 2,700,000	-

See accompanying notes to consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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.

The ReStore purchased a building for its operations in 2021. The purchase of the 16,395 square foot building creates an expanded footprint and preferable location for the ReStore operations. The Organization acquired a new retail location for its ReStore operations on December 16th, 2021. The total purchase price, including acquisition costs, was \$3,376,325 and was allocated \$179,580 to land and \$3,196,745 to the building and improvements. The Organization leased the newly acquired building back to the seller for several months in 2022. The new ReStore location had its grand opening on June 2, 2022. The building was purchased with funds raised by donors of \$650,000 and a loan from the United States Department of Agriculture for \$2,700,000.

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).

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Consolidated Financial Statements

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.

Classification of Net Assets

Consolidated 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. There were no amounts held in perpetuity as of December 31, 2021 and 2020.

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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 zero interest rate 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. During the year ended December 31, 2021, the Organization adopted the use of the Federal Reserve Bank of St. Louis' 30 year Average for Mortgages in lieu of rates used in prior years which were determined by the Internal Revenue Service ("IRS"). The rate determined by the Federal Reserve Bank of St. Louis for the year ended December 31, 2021 was 3.12%. The rate determined by the IRS for the year ended December 31, 2020 was 7.38%. 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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2021 and 2020.

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 or purchase. 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 three to fifteen years for leasehold improvements, vehicles, software, and equipment and furniture, and 39 years for the building. Land is not subject to amortization or depreciation.

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, 2021 and 2020.

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, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2021 and 2020, the Organization received and recognized \$6,572 and \$7,080, 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.

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 store customers 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. In general, 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 life of the respective mortgage. Some qualified buyers may receive down payment assistance from other agencies which the cash is received by the Organization and the buyer receives the benefit as a reduction of 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 or promised.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Support (Continued)

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 Consolidated 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.

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. The Organization received no grant awards considered exchange transactions for the years ended December 31, 2021 and 2020.

The key factor affecting the amount, timing and uncertainty of the Organization's revenue is its concentration of revenue attributed to contributions and grants. Management does not believe that the Organization is exposed to any significant risk related to its concentration of revenues.

The Organization does not have any contract liabilities and does not have any significant contract-related assets outside of mortgages receivable.

Net receivables and contract balances from contracts with customers were as follows:

	Mortgages Receivable, at Face Value
January 1, 2020	\$ 1,233,705
December 31, 2020	\$ 2,260,930
December 31, 2021	\$ 3,138,172

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Notes to Consolidated Financial Statements

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Note 1: Summary of Significant Accounting Policies (Continued)

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 \$31,899 and \$23,336, respectively, for the years ended December 31, 2021 and 2020.

Subsequent Events

In preparing its consolidated financial statements, the Organization has evaluated subsequent events through June 22, 2022, which is the date the consolidated financial statements were available to be issued. There are no events that have occurred subsequent to year-end that require disclosure or recognition in these consolidated financial statements.

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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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 Consolidated Statement of Financial Position date, comprise the following:

<i>As of December 31,</i>	2021	2020
Unrestricted Cash	\$ 576,304	\$ 809,280
Accounts Receivable	1,803	1,468
Contributions and Grants Receivable - Current	603,932	270,030
Mortgages Receivable - Current	34,539	32,728
Total Financial Assets	1,216,578	1,113,506
Less: Board Designations - Operating Reserve	67,317	100,493
Less: Restricted Program Contributions included in Current Contributions and Grants Receivable	474,168	80,000
Total Financial Assets Available for General Expenditure	\$ 675,093	\$ 933,013

The Organization does not have a formal liquidity policy. The Organization had board-designated funds totaling \$67,317 and \$100,493 for operating reserves as of December 31, 2021 and 2020, 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 has two lines-of-credit available for cash flow needs up to a total of \$200,000, as further described in Note 9.

Note 3: Concentrations of Credit Risk

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

Cash: The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. The Organization maintains cash in bank deposit accounts at financial institutions in which the deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC"). The operating accounts of the Organization are held at institutions that are provided insurance up to \$250,000 per FDIC-insured depository institution. Topic 825 of FASB ASC, *Financial Instruments*, identifies such accounts as a concentration of credit risk requiring disclosure regardless of the degree of risk. Risk related to deposits held outside of institutions participating in the above program is managed by maintaining deposits with high quality financial institutions. As of December 31, 2021 and 2020, the cash accounts maintained exceeded federally insured limits by approximately \$34,500 and \$174,000, respectively.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 3: Concentrations of Credit Risk (Continued)

Cash (continued): The Organization has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk related to cash and cash equivalents.

Contributions and Grants Receivable: As of December 31, 2021, approximately 80% of the Organization's receivables were concentrated with one source. There was no concentration of receivables at December 31, 2020.

Note 4: Contributions and Grants Receivable

The following is a summary of contributions and grants receivable:

<i>As of December 31,</i>	2021	2020
Receivables Due in Less than One Year	\$ 603,932	\$ 270,030
Receivables Due in One to Five Years	776,500	127,668
Total	\$ 1,380,432	\$ 397,698

As the discount on future receipts was deemed immaterial, no discount has been recorded.

Conditional Contribution

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

Note 5: Mortgages Receivable

The following is a summary of mortgages receivable:

<i>As of December 31,</i>	2021	2020
Mortgages Receivable at Face Value	\$ 3,138,172	\$ 2,260,930
Less: Discount to Net Present Value	1,464,937	1,281,103
Net Mortgages Receivable	1,673,235	979,827
Less: Current Portion - Net of Discount to Net Present Value	34,539	32,728
Long-Term Portion - Net of Discount to Net Present Value	\$ 1,638,696	\$ 947,099

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 5: Mortgages Receivable (Continued)

During the years ended December 31, 2021 and 2020, the Organization funded seven and eight new mortgages, respectively. During the year ended December 31, 2021, the Organization swapped one mortgage. At December 31, 2021 and 2020, the Organization had 17 and 13, respectively, of outstanding mortgages receivable, with applicable discount rates ranging from 3.12% to 7.58%.

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

2022	\$	115,634
2023		115,634
2024		115,634
2025		115,634
2026		115,634
Thereafter		2,560,002
Total		\$ 3,138,172

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 receiving 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 July 2021, the Organization sold its interest in two mortgage loans to FirstBank, receiving \$380,663 in cash proceeds and recognizing a gain on the sale of \$152,556.

In August 2021, the Organization swapped its interest in one mortgage loan for a mortgage loan received from Habitat for Humanity of Colorado, Inc, receiving \$27,605 in cash proceeds and recognizing a gain on the swap of \$16,171.

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.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 7: Notes Payable

The following is a summary of the notes payable:

<i>As of December 31,</i>	2021	2020
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)	\$ 113,548	\$ 117,226
Habitat for Humanity Colorado (full amount payable upon maturity, including interest at 2.75%; secured by a deed of trust; paid in full on February 23, 2022)	225,000	-
Rural Housing Service, an entity within the United States Department of Agriculture (payable in monthly installments of \$10,152, including interest at 2.125%; secured by a mortgage; with final payment due on December 16, 2051)	2,700,000	-
Habitat for Humanity of Colorado (full amount payable upon maturity, zero-interest bearing; unsecured; paid in full on March 31, 2022)	25,000	-
	3,063,548	117,226
Less: Current Maturities	318,985	3,752
Note Payable - Due Beyond One Year	\$ 2,744,563	\$ 113,474

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

2022	\$ 318,985
2023	70,540
2024	72,132
2025	73,762
2026	75,430
Thereafter	2,452,699
Total	\$ 3,063,548

Note 8: SBA Paycheck Protection Program Loan

In March 2020, the Coronavirus Aid, Relief, and Economic Securities (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and provide an incentive to retain their employees during the COVID-19 pandemic. The Organization applied for and received a PPP loan in the amount of \$181,400.

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Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 8: SBA Paycheck Protection Program Loan (Continued)

The Organization applied for full loan forgiveness and received forgiveness notification from the SBA that the loan was fully forgiven on May 25, 2021, and thus the loan is recognized as income on the 2021 consolidated financial statements in accordance with ASC 470.

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 2022.

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 or both of these lines-of-credit. As of December 31, 2021 and 2020, 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, vehicles, and office equipment under non-cancelable operating leases that expire on various dates through March 2024. Monthly payments for the office space, retail space, vehicles, and equipment are roughly \$1,200, \$6,000, and \$500, respectively. The approximate minimum future lease payments for the years ending December 31, are as follows:

2022	\$	38,700
2023		600
2024		100
Total		\$ 39,400

For the years ended December 31, 2021 and 2020, rent expense was \$82,609 and \$80,338, respectively.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 11: Net Assets

Board Designated Net Assets: As of December 31, 2021 and 2020, the Organization has designated net assets in the amount of \$67,317 and \$100,493, 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 :

<i>As of December 31,</i>	2021	2020
Purpose Restricted - Family Relief Mortgage Forbearance Fund	\$ 30,092	\$ 42,534
Time Restricted - Contributions and Grants	1,252,666	397,698
Total	\$ 1,282,758	\$ 440,232

Net assets totaling \$616,374 and \$514,466 were released from net assets with donor restrictions for the years ended December 31, 2021 and 2020, respectively, as a result of the Organization incurring expenditures satisfying the related purpose.

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. There are no eligibility or service period requirements. The Organization contributed \$43,040 and \$38,300, respectively, to the plan during the years ended December 31, 2021 and 2020.

Note 13: Transactions with Affiliates

The Organization voluntarily tithes 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, 2021 and 2020, \$27,000, were tithed to Habitat for Humanity International. As of December 31, 2021 and 2020, amounts payable to Habitat for Humanity International was \$54,000 and \$40,500, 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, 2021 and 2020, the Organization recognized \$30,810 and \$170,500, respectively, of grant revenue from Habitat for Humanity of Colorado. As of December 31, 2021, the Organization had two loan payables to Habitat for Humanity of Colorado for \$225,000 and \$25,000, that were paid on February 28, 2022 and March 31, 2022, respectively.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

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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 each of the years ended December 31, 2021 and 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 in both years, which are included in construction costs on the accompanying Consolidated Statement of Activities.

Note 15: Business Conditions

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 millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak, which have impacted global business operations.

As of the date of issuance of the consolidated financial statements, the Organization's operations have not experienced a significant adverse impact, however, the Organization continues to monitor the situation and believes that the Organization is taking appropriate actions to mitigate the negative impact. No impairments were recorded as of the consolidated statement of financial position date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization's results of operations and financial condition could be negatively impacted in the future, the full extent of the impact cannot be reasonably estimated at this time.