

Habitat for Humanity Vail Valley, Inc.

Consolidated Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2023 and 2022



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 of Habitat for Humanity Vail Valley, Inc. (the "Organization"), a nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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 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 26, 2024

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Financial Position

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets:		
Cash:		
Unrestricted Cash	\$ 792,866	\$ 778,375
Restricted Cash	4,066,919	153,262
Total Cash	4,859,785	931,637
Accounts Receivable	1,770	1,245
Current Portion of Contributions and Grants Receivable	2,455,501	626,135
Current Portion of Mortgages Receivable and Mortgages Committed for Sale - Net of Discount to Net Present Value	49,311	1,215,090
Prepaid Expenses	29,376	25,002
ReStore Inventory	21,143	15,272
Land Held for Development and Resale Inventory - Current Portion	2,982,058	404,215
Construction-in-Progress	1,520,558	538,701
Total Current Assets	11,919,502	3,757,297
Property and Equipment - At Cost:		
Vehicles	7,500	7,500
Software	15,284	15,284
Equipment and Furniture	46,737	46,737
Building	3,316,847	3,274,873
Land	179,580	179,580
	3,565,948	3,523,974
Less: Accumulated Depreciation	238,643	152,407
Property and Equipment - Net	3,327,305	3,371,567
Long-Term Assets:		
Deposits	100	9,650
Land Held for Development and Resale Inventory - Net of Current Portion	3,700,986	2,248,197
Long-Term Portion of Contributions and Grants Receivable	262,500	587,500
Long-Term Portion of Mortgages Receivable - Net of Discount to Net Present Value	1,065,024	1,053,373
Total Long-Term Assets	5,028,610	3,898,720
Other Assets:		
Right-of-Use Assets - Operating Leases	96,324	132,794
TOTAL ASSETS	\$ 20,371,741	\$ 11,160,378

See accompanying notes to the consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Financial Position (Continued)

December 31, 2023 and 2022

LIABILITIES AND NET ASSETS	2023	2022
Current Liabilities:		
Accounts Payable	\$ 84,216	\$ 109,536
Notes Payable - Due Within One Year	572,132	70,540
Deferred Revenue	133,750	137,697
Other Current Liabilities	166,618	94,384
Operating Leases Liability - Due Within One Year	38,783	38,136
Total Current Liabilities	995,499	450,293
Long-Term Liabilities:		
Homeowner Escrow Deposits	155,224	144,408
Notes Payable - Due Beyond One Year	4,102,002	2,674,096
Operating Leases Liability - Due Beyond One Year	62,067	100,851
Total Long-Term Liabilities	4,319,293	2,919,355
Total Liabilities	5,314,792	3,369,648
Net Assets:		
Without Donor Restrictions:		
Undesignated	11,074,730	4,998,835
Designated Operating Reserves	338,821	464,411
Total Net Assets Without Donor Restrictions	11,413,551	5,463,246
With Donor Restrictions	3,643,398	2,327,484
Total Net Assets	15,056,949	7,790,730
TOTAL LIABILITIES AND NET ASSETS	\$ 20,371,741	\$ 11,160,378

See accompanying notes to the consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statement of Activities

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total 2023
Revenues and Support			
Operating Revenue:			
Sales to Homeowners	\$ 1,415,000	\$ -	\$ 1,415,000
ReStore Revenue	712,994	-	712,994
Mortgage Discount Amortization	70,831	-	70,831
Gain on Sale of Mortgages	456,580	-	456,580
Interest Income	76,782	-	76,782
Other Program Income	183,547	-	183,547
Total Operating Revenue	2,915,734	-	2,915,734
Support:			
Contributions and Grants	2,647,866	5,716,483	8,364,349
In-Kind Donations	9,639	-	9,639
Special Events - Net	171,947	-	171,947
Net Assets Released from Restrictions	4,400,569	(4,400,569)	-
Total Support	7,230,021	1,315,914	8,545,935
Total Revenues and Support	10,145,755	1,315,914	11,461,669
Expenses			
Program Services:			
Homeowner and Family Services	2,793,214	-	2,793,214
ReStore	758,138	-	758,138
Total Program Services	3,551,352	-	3,551,352
Supporting Services:			
Management and General	226,949	-	226,949
Fundraising	417,149	-	417,149
Total Supporting Services	644,098	-	644,098
Total Expenses	4,195,450	-	4,195,450
Change in Net Assets	5,950,305	1,315,914	7,266,219
Net Assets - Beginning of Year	5,463,246	2,327,484	7,790,730
NET ASSETS - END OF YEAR	\$ 11,413,551	\$ 3,643,398	\$ 15,056,949

See accompanying notes to the consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022
Revenues and Support			
Operating Revenue:			
Sales to Homeowners	\$ 1,879,417	\$ -	\$ 1,879,417
ReStore Revenue	611,046	-	611,046
Mortgage Discount Amortization	58,361	-	58,361
Gain on Sale of Mortgages and Swap	344,481	-	344,481
(Loss) on Sale of Property and Equipment	(5,973)	-	(5,973)
Other Program Income	52,008	-	52,008
Total Operating Revenue	2,939,340	-	2,939,340
Support:			
Contributions and Grants	1,334,858	522,142	1,857,000
In-Kind Donations	11,729	1,200,000	1,211,729
Special Events - Net	160,975	-	160,975
Net Assets Released from Restrictions	677,416	(677,416)	-
Total Support	2,184,978	1,044,726	3,229,704
Total Revenues and Support	5,124,318	1,044,726	6,169,044
Expenses			
Program Expenses:			
Homeowner and Family Services	2,720,739	-	2,720,739
ReStore	678,852	-	678,852
Total Program Services	3,399,591	-	3,399,591
Supporting Services:			
Management and General	191,140	-	191,140
Fundraising	338,483	-	338,483
Total Supporting Services	529,623	-	529,623
Total Expenses	3,929,214	-	3,929,214
Change in Net Assets	1,195,104	1,044,726	2,239,830
Net Assets - Beginning of Year	4,268,142	1,282,758	5,550,900
NET ASSETS - END OF YEAR	\$ 5,463,246	\$ 2,327,484	\$ 7,790,730

See accompanying notes to the consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2023

	Homeowner and Family Services	ReStore	Management and General	Fundraising	Total 2023
Expenses					
Advertising	\$ 14,615	\$ 25,321	\$ 2,249	\$ 5,621	\$ 47,806
Bank and Credit Card Fees	-	13,165	3,265	9,795	26,225
Conferences, Meals, and Entertainment	8,037	2,188	1,607	1,072	12,904
Construction Costs	1,406,554	-	-	-	1,406,554
Contract Labor	22,811	2,726	-	7,604	33,141
Cost of Direct Benefit to Donors	-	-	-	84,368	84,368
Depreciation	1,592	84,644	-	-	86,236
Discount on Mortgages	591,433	-	-	-	591,433
Donor and Volunteer Recognition	20,632	901	1,290	3,869	26,692
Employee Benefits	73,163	56,094	22,087	42,794	194,138
Insurance	34,910	38,683	6,161	-	79,754
Interest	30,984	55,346	-	-	86,330
Miscellaneous	2,621	949	-	-	3,570
Mortgage Fees	2,301	-	-	-	2,301
Office	77,689	65,061	9,133	4,570	156,453
Payroll Taxes	32,715	26,598	10,905	24,537	94,755
Professional Fees	-	13,064	25,639	-	38,703
Rent and Property Taxes	35,766	19,521	4,208	2,104	61,599
Salaries	419,805	321,064	139,935	314,854	1,195,658
Telephone and Utilities	3,994	25,873	470	235	30,572
Tithe	9,000	-	-	-	9,000
Vehicle	4,592	6,940	-	94	11,626
Total Expenses by Function	2,793,214	758,138	226,949	501,517	4,279,818
Less: Expenses Included with Revenues on the Consolidated Statement of Activities					
Cost of Direct Benefit to Donors	-	-	-	(84,368)	(84,368)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	\$ 2,793,214	\$ 758,138	\$ 226,949	\$ 417,149	\$ 4,195,450

See accompanying notes to the consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2022

	Homeowner and Family Services	ReStore	Management and General	Fundraising	Total 2022
Expenses					
Advertising	\$ 8,917	\$ 35,711	\$ 1,372	\$ 3,430	\$ 49,430
Bank and Credit Card Fees	-	10,765	3,469	10,406	24,640
Conferences, Meals, and Entertainment	8,016	3,691	1,603	1,069	14,379
Construction Costs	1,813,301	-	-	-	1,813,301
Contract Labor	33,807	9,681	-	11,269	54,757
Cost of Direct Benefit to Donors	-	-	-	78,630	78,630
Depreciation	750	83,222	-	-	83,972
Discount on Mortgages	307,881	-	-	-	307,881
Donor and Volunteer Recognition	18,152	1,363	1,135	3,404	24,054
Employee Benefits	28,908	24,783	11,563	23,769	89,023
Insurance	23,109	26,480	4,078	-	53,667
Interest	33,404	56,742	-	-	90,146
Miscellaneous	8,593	7,374	-	-	15,967
Mortgage Fees	4,172	-	-	-	4,172
Office	41,456	60,184	4,877	2,439	108,956
Payroll Taxes	24,235	18,297	9,694	19,926	72,152
Professional Fees	-	12,418	24,161	-	36,579
Rent and Property Taxes	13,731	61,111	1,615	808	77,265
Salaries	318,330	237,598	127,332	261,738	944,998
Telephone and Utilities	2,052	23,120	241	124	25,537
Tithe	27,000	-	-	-	27,000
Vehicle	4,925	6,312	-	101	11,338
Total Expenses by Function	2,720,739	678,852	191,140	417,113	4,007,844
Less: Expenses Included with Revenues on the Consolidated Statement of Activities					
Cost of Direct Benefit to Donors	-	-	-	(78,630)	(78,630)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities	\$ 2,720,739	\$ 678,852	\$ 191,140	\$ 338,483	\$ 3,929,214

See accompanying notes to the consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 7,266,219	\$ 2,239,830
Adjustments to Reconcile Change in Net Assets to Net Cash Flows		
From Operating Activities:		
Depreciation	86,236	83,972
Mortgage Loans Issued - Net of Discount to Net Present Value	(633,678)	(1,210,048)
Mortgage Discount Amortization	(70,831)	(58,361)
Gain on Sale of Mortgage Loans	(456,580)	(344,481)
Non-Cash Lease Expense	36,470	36,032
Loss on Sale of Property and Equipment	-	5,973
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(525)	558
Contributions and Grants Receivable	(1,504,366)	166,797
Prepaid Expenses and Other	(4,374)	(3,937)
ReStore Inventory	(5,871)	(15,272)
Land Held for Development and Resale Inventory	(4,030,632)	(1,349,380)
Construction-in-Progress	(981,857)	91,295
Deposits	9,550	7,500
Accounts Payable	(25,320)	(17,869)
Deferred Revenue	(3,947)	1,294
Other Current Liabilities	72,234	(20,450)
Homeowner Escrow Deposits	10,816	11,371
Payments on Operating Lease Liability	(38,137)	(29,839)
Net Cash Flows Provided (Used) by Operating Activities	(274,593)	(405,015)
Cash Flows From Investing Activities:		
Proceeds from Mortgage Sales	2,212,996	933,368
Mortgage Payments Received	102,221	84,294
Purchase of Property and Equipment	(41,974)	(85,628)
Net Cash Flows Provided (Used) by Investing Activities	2,273,243	932,034
Cash Flows From Financing Activities:		
Proceeds from Notes Payable	2,000,000	-
Repayment of Notes Payable	(70,502)	(318,912)
Net Cash Flows Provided (Used) by Financing Activities	1,929,498	(318,912)
Net Change in Cash and Restricted Cash	3,928,148	208,107
Cash and Restricted Cash - Beginning of Year	931,637	723,530
Cash and Restricted Cash - End of Year	\$ 4,859,785	\$ 931,637

Habitat for Humanity Vail Valley, Inc.

Consolidated Statements of Cash Flows (Continued)

For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>Classification of Cash:</u>		
Unrestricted cash	\$ 792,866	\$ 778,375
Restricted cash	4,066,919	153,262
Total Cash and Restricted Cash	\$ 4,859,785	\$ 931,637
<u>Supplemental Disclosure:</u>		
Cash Paid for Interest	\$ 99,517	\$ 90,146

See accompanying notes to the consolidated financial statements.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 in October 2013, under the laws of the State of Colorado, and serves as the holding company for certain parcels of 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, 2023 and 2022

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, 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, 2023 and 2022.

Accounts Receivable

Accounts receivable are uncollateralized amounts due primarily for shared appreciation and other operating income.

Contributions and Grants Receivable

Contributions and grants receivable represent written agreements to contribute cash or other assets to the Organization. At December 31, 2023 and 2022, management deemed all contributions and grants receivable to be fully collectible; accordingly, no allowance for uncollectible contributions and grants was required.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Mortgages Receivable

The Organization constructs homes to be sold with non-interest-bearing 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 Organization utilizes the Federal Reserve Bank of St. Louis' 30 year Average for Mortgages. For new mortgages closed in the years ended December 31, 2023 and 2022, the rates utilized, as referenced by the Federal Reserve Bank of St. Louis, were 6.61% and 6.42%, 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, including the associated discount on the mortgage, is recorded in the year in which the mortgage is sold.

As of December 31, 2022, the Organization had several mortgages that are classified as committed for sale. The Organization discounted the mortgages classified as committed for sale at the rate at which the benefit was determined and could be effectively settled. During the year ended December 31, 2023, each of these mortgages which were classified as committed for sale were sold. As of December 31, 2023, there were no mortgages classified as committed for sale.

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. Management has evaluated credit losses and believes that the fair value of each underlying mortgaged property exceeds the carrying amount of the associated outstanding mortgage loan. Therefore, no allowance for uncollectible mortgages is recorded.

Allowance for Credit Losses

Beginning January 1, 2023, the carrying amount of accounts receivable and mortgages receivable require an analysis to determine if the value should be reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of an allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. The Organization uses an aging method to estimate allowances for credit losses. Management assesses collectibility by pooling receivables and contract assets with similar risk characteristics and evaluates receivables and contract assets individually when specific customer balances no longer share those risk characteristics. Prior to 2023, the allowance for doubtful accounts reflected losses that the Organization estimated had been incurred as of the reporting date and was based on historical loss experience, current receivables aging, and management's assessment of current conditions. An allowance for credit losses was not considered necessary at December 31, 2023, and an allowance for doubtful accounts was not considered necessary at December 31, 2022.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 or was recorded as of December 31, 2023 and 2022.

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, 2023 and 2022.

Deferred Revenue

Deferred revenue primarily represents amounts 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, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Donated Services

Donated services are recognized as contributions in accordance with GAAP, 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. Volunteers provide 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 home sales and ReStore retail 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 the time of sale.

Home sales are to income-qualified 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.

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.

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, 2023 and 2022

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. Amount 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, 2023 and 2022.

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 Held to Maturity, at Face Value	
January 1, 2022	\$	3,138,172
December 31, 2022	\$	2,134,960
December 31, 2023	\$	2,239,932

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

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.

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 \$47,806 and \$49,430, respectively, for the years ended December 31, 2023 and 2022.

Lease Accounting

The Organization is a lessee in noncancelable operating leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-Use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Accounting (Continued)

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization separates lease and non-lease components to determine the lease payment.

Accounting Pronouncements Adopted

Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires the Organization to present financial assets measured at amortized cost (including client and third parties receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts.

The Organization adopted ASU No. 2016-13 on January 1, 2023. The net impact to net assets would have been immaterial, thus no adjustment was made to net assets. Results for the year ended December 31, 2023 are presented under Accounting Standards Codification ("ASC") 326 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. See Allowance for Credit Losses for changes to accounting policies related to this new accounting pronouncement.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through June 26, 2024, which is the date the financial statements were available to be issued.

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>	2023	2022
Unrestricted Cash	\$ 792,866	\$ 778,375
Accounts Receivable	1,770	1,245
Contributions and Grants Receivable - Current	2,455,501	626,135
Mortgages Receivable - Current	49,311	1,215,090
Total Financial Assets	3,299,448	2,620,845
Less: Designated Operating Reserves	338,821	464,411
Less: Restricted Program Contributions included in Current Contributions and Grants Receivable	2,151,576	570,500
Total Financial Assets Available for General Expenditure	\$ 809,051	\$ 1,585,934

The Organization does not have a formal liquidity policy. The Organization had designated funds totaling \$338,821 and \$464,411 for operating reserves as of December 31, 2023 and 2022, respectively. Although the Organization does not intend to spend from these 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 \$350,000, as well as two letters of credit for a total of \$260,392, as further described in Note 8.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022, the cash accounts maintained by the Organization exceeded federally insured limits by approximately \$54,600 and \$167,900, respectively.

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.

The Organization considers cash from donor restricted contributions as restricted cash. As of December 31, 2023 and 2022, the Organization had restricted cash of \$4,066,919 and \$153,262, respectively.

Contributions and Grants Receivable: As of December 31, 2023 and 2022, approximately 86% and 87%, respectively, of the Organization's receivables were concentrated with three and two sources, respectively.

Note 4: Contributions and Grants Receivable

The following is a summary of contributions and grants receivable:

<i>As of December 31,</i>	2023	2022
Receivables Due in Less than One Year	\$ 2,455,501	\$ 626,135
Receivables Due in One to Five Years	262,500	587,500
Total	\$ 2,718,001	\$ 1,213,635

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

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 5: Mortgages Receivable

Mortgages receivable consist of non-interest-bearing notes received from homebuyers in connection with the sale of homes that were constructed by the Organization. The Organization has two classes of loans. The first class of loans are those that are discounted to their present value using the market rate of interest at the closing date. At December 31, 2023 and 2022, the Organization had 13 and 12 outstanding mortgages receivable, respectively, with applicable discount rates ranging from 3.12% to 7.58%. These notes are expected to be held to maturity. The second class of notes are those that are classified as committed for sale and discounted to their present value using the rate the Organization committed to sell them. As of December 31, 2022, the Organization had commitments to sell 5 loans at a discount rate of 1.50% and 1 loan at a discount rate of 0.00%. As of December 31, 2023, the Organization did not have any loans classified as committed for sale.

In addition to the mortgages receivable described above, an additional second lien is established at the closing of specific homes for the difference between the affordability mortgage and the actual sales price of the home. The second lien is collected at the end of the term of the first mortgage or upon sale by the mortgagee. Second lien amounts reflected are based on the amount the Organization expects to collect at term or upon sale by the mortgagee. During the year ended December 31, 2022, the Organization funded 4 second liens with an applicable discount rate of 6.42%.

The Organization's mortgages receivable are as follows:

<i>As of December 31,</i>	2023	2022
Mortgages Receivable - Net	\$ 2,239,932	\$ 1,075,795
Mortgages Committed for Sale	-	1,192,668
Total Mortgages Receivable	\$ 2,239,932	\$ 2,268,463

The Organization's held to maturity mortgages receivable are as follows:

<i>As of December 31,</i>	2023	2022
Mortgages Receivable at Face Value	\$ 2,239,932	\$ 2,134,960
Less: Discount to Net Present Value	1,125,597	1,059,165
Net Mortgages Receivable	1,114,335	1,075,795
Less: Current Portion - Net of Discount to Net Present Value	49,311	22,422
Long-Term Portion - Net of Discount to Net Present Value	\$ 1,065,024	\$ 1,053,373

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 5: Mortgages Receivable (Continued)

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

2024	\$	88,258
2025		88,258
2026		88,258
2027		88,258
2028		88,258
Thereafter		1,798,642
<hr/>		
Total	\$	2,239,932

Note 6: Mortgage Loan Sales

From time-to-time the Organization will sell mortgages to financial institutions. These sales generate cash for the organization, the proceeds of which are invested in new construction, homeowner and family services, and overhead expenses. 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 ANB Bank, CHFA, and FirstBank provide that the Organization may be required to repurchase loans and or substitute with performing loans in the event of default that is not cured within a specified period of time.

During the year ended December 31, 2023, the Organization sold its interest in six mortgage loans to CHFA, receiving \$1,253,552 in cash proceeds and recognizing a gain on the sale of \$456,580.

During the year ended December 31, 2023, the Organization sold its interest in five mortgage loans to FirstBank, receiving \$959,444 in cash proceeds and recognizing a gain on the sale of \$-0-.

During the year ended December 31, 2022, the Organization sold its interest in two mortgage loans to CHFA, receiving \$441,671 in cash proceeds and recognizing a gain on the sale of \$258,655.

During the year ended December 31, 2022, the Organization sold its interest in three mortgage loans to FirstBank, receiving \$491,697 in cash proceeds and recognizing a gain on the sale of \$85,826.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 7: Notes Payable

The following is a summary of the notes payable:

<i>As of December 31,</i>	2023	2022
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)	\$ 105,694	\$ 109,718
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)	2,568,440	2,634,918
Habitat for Humanity of Colorado (payable in monthly interest-only payments, with an interest and principal payment due in full on October 31, 2024, interest at 2.75%, secured by a real estate deed of trust)	500,000	-
Habitat Mortgage Solutions, LLC (payable in monthly interest only payments, with an interest and principal payment due in full on December 31, 2025, interest at 4.00%, secured by a real estate deed of trust)	1,500,000	-
	4,674,134	2,744,636
Less: Current Maturities	572,132	70,540
Note Payable - Due Beyond One Year	\$ 4,102,002	\$ 2,674,096

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

2024	\$ 572,132
2025	1,573,761
2026	75,430
2027	77,136
2028	78,884
Thereafter	2,296,791
Total	\$ 4,674,134

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 8: Lines-of-Credit

The Organization has a \$250,000 line-of-credit with FirstBank that is secured by deposit accounts. The line bears interest at the Wall Street Journal prime rate plus 1.0%, with a floor rate of 8.5%. The line matures in November 2024.

The Organization also has a \$100,000 on-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.

The Organization also has a \$18,085 letter-of-credit with ANB Bank. The letter-of-credit is secured by business assets, bears interest at the Wall Street Journal prime rate plus 0.5%, with a floor rate of 5.5%. The line matures on April 15, 2024. Subsequent to the year ended December 31, 2023, the letter matured and was not renewed.

The Organization also has a \$242,307 letter-of-credit with ANB Bank. The letter-of-credit is secured by cash and bears interest at 9.0%. The line matures on June 15, 2024. Subsequent to the year ended December 31, 2023, the letter was renewed with an available balance of \$56,703.

From time to time the Organization will utilize one or multiple of these lines-of-credit or letter-of-credit. As of December 31, 2023 and 2022, there were no outstanding balances on any of the lines-of-credit or letter-of-credit.

Note 9: Leases

The Organization leases office space, volunteer housing, a vehicle and equipment from unrelated third parties. The office lease includes an option to renew. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur. The optional renewal periods have not been included in the ROU asset and lease liability as of December 31, 2023 based on management's expectations.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus, for many of the leases, variable payments. The Organization's equipment lease requires it to make variable payments based on the amount of equipment use. The variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 9: Leases (Continued)

Components of lease expense were as follows:

<i>For the year Ended December 31,</i>	2023	2022
Operating Lease Costs	\$ 36,470	\$ 31,830
Variable Lease Costs	6,976	8,341
Short-Term Lease Costs	21,000	32,426
Total Lease Costs	\$ 64,446	\$ 72,597

Weighted-average remaining lease terms and discount rates are as follows:

<i>Years Ended December 31,</i>	2023	2022
Weighted-Average Remaining Lease Terms - Operating Lease	34 Months	45 Months
Weighted-Average Discount Rate - Operating Lease	1.32 %	1.31 %

Maturities of lease liabilities are as follows as of December 31, 2023:

<i>Year Ended December 31,</i>	Payments	Imputed Interest	Lease Liability
2024	\$ 39,840	\$ 1,057	\$ 38,783
2025	39,342	559	38,783
2026	14,129	225	13,904
2027	9,419	39	9,380
	\$ 102,730	\$ 1,880	\$ 100,850

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 10: Net Assets

Designated Net Assets: As of December 31, 2023 and 2022, the Organization has designated net assets in the amount of \$338,821 and \$464,411, 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>	2023	2022
Purpose Restricted - Family Relief Mortgage Forbearance Fund	\$ 30,092	\$ 34,484
Purpose Restricted - Affordable Housing Development	2,873,306	\$ 1,200,000
Time Restricted - Contributions and Grants	740,000	1,093,000
Total	\$ 3,643,398	\$ 2,327,484

Net assets totaling \$4,400,569 and \$677,416 were released from net assets with donor restrictions for the years ended December 31, 2023 and 2022, respectively, as a result of the Organization incurring expenditures satisfying the related purpose.

Note 11: In-Kind Contributions

In-Kind contributions included in the Consolidated Statements of Activities are comprised of the following:

Nonfinancial Asset	Year Ended December 31, 2023	Year Ended December 31, 2022	Usage in Programs or Function	Donor Restriction	Fair Value Technique
Land	\$ -	\$ 1,200,000	Homeowner and Family Services	Affordable Housing Development	Appraised by an external appraiser Estimated based on current rates of professional services provided
Professional Services	9,639	11,729	Management and General	None	
Total	\$ 9,639	\$ 1,211,729			

Habitat for Humanity Vail Valley, Inc.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 \$58,728 and \$45,137, respectively, to the plan during the years ended December 31, 2023 and 2022.

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, 2023 and 2022, \$9,000 and \$27,000, were tithed to Habitat for Humanity International, respectively. As of December 31, 2023 and 2022, amounts payable to Habitat for Humanity International was \$9,000 and \$27,000, 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, 2023 and 2022, the Organization recognized \$1,200,000 and \$162,750, respectively, of grant revenue from Habitat for Humanity of Colorado. As noted in Note 7, the Organization had one loan payable to Habitat for Humanity of Colorado for \$500,000, as of December 31, 2023. The Organization had no loans payable to Habitat for Humanity of Colorado, as of December 31, 2022.

Note 14: Land Acquisitions

In December 2022, the Organization entered into a purchase and sale agreement with an unrelated third party to acquire land in Eagle, Colorado for nominal consideration of \$1 to construct affordable housing residences. The Organization completed the deed transfer in 2022 and recognized an in-kind land donation of \$1,200,000. The value was determined by an independent appraisal of the property. As of the year ended December 31, 2023, the Organization had started construction on the land.