

**Habitat for Humanity of the St. Vrain Valley, Inc.**

**Financial Statements**

**June 30, 2018 and 2017**



Edward Hamilton, CPA

Terri L. Hamilton, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Habitat for Humanity of the St. Vrain Valley, Inc.  
Longmont, Colorado

We have audited the accompanying financial statements of Habitat for Humanity of the St. Vrain Valley, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Company's method of accounting for inventory contributions, at the ReStore location, is to estimate a value basis with no individual detail records being kept for control purposes. Accordingly, it was not practical for us to extend our audit of such inventory donations beyond the amounts recorded.

We believe that the audit evidence we have obtained is sufficient, except for noted above, and appropriate to provide a basis for our audit opinion.



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## **Opinion**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the recording of donations and the sale of merchandise been susceptible to satisfactory audit tests, as referred to in the preceding paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Habitat for Humanity of the St. Vrain Valley, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 5 and 6 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Source CPAs, LLC

Denver, Colorado  
February 14, 2019

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents, unrestricted	\$ 312,343	\$ 263,365
Cash and cash equivalents, restricted	25,541	27,732
Endowment fund	1,359	1,291
Accounts Receivable	599	5,868
Promises to give	-	6,000
Prepaid expenses	12,941	12,041
Inventory	55,415	54,957
Construction in progress	1,153,087	1,153,330
Non-interest bearing first mortgage loans less discount of \$1,705,788 and \$1,617,559	2,617,515	2,627,584
Non-interest bearing third/fouth mortgage loans less discount of \$51,552 and \$51,552	-	-
Deposit	2,000	47,954
Property and equipment - net	493,760	490,655
 Total Assets	 \$ 4,674,560	 \$ 4,690,777

LIABILITIES & NET ASSETS

Liabilities:		
Accounts payable	\$ 35,898	\$ 55,026
Accrued expenses	83,866	49,025
Line of credit	-	-
Notes payable	1,000,831	1,122,179
Total Liabilities	1,120,595	1,226,230
Net Assets:		
Unrestricted	3,527,065	3,429,524
Temporarily restricted	25,541	33,732
Permanently restricted	1,359	1,291
Total Net Assets	3,553,965	3,464,547
 Total Liabilities & Net Assets	 \$ 4,674,560	 \$ 4,690,777

See accompanying notes and independent auditor's report

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
 STATEMENTS OF ACTIVITIES  
 For the Years Ended June 30, 2018 and 2017

	2018	2017
<b>UNRESTRICTED NET ASSETS</b>		
Support and revenue		
Contributions	\$ 231,891	\$ 277,444
In-kind contributions	183,956	148,960
Grants	153,335	169,418
Governmental support	446,590	483,232
Transfers to homeowners	1,014,693	741,219
Fund raising - ReStore Store, net	198,368	81,229
Fund raising, net	4,727	39,101
Mortgage loan discount amortization	93,996	67,386
Interest income	644	146
Other revenue	139,243	40,456
Unrestricted support and revenue	2,467,443	2,048,591
Net assets released from restriction	2,191	1,426
Total unrestricted support and revenue	2,469,634	2,050,017
<b>Expenses</b>		
Program services		
Direct assistance programs	2,096,018	1,615,788
Supporting services		
Management and general	156,660	159,253
Fundraising	113,532	119,114
Total expenses	2,366,211	1,894,155
Increase/(decrease) in unrestricted net assets	103,423	155,862
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Public support & grants	383,537	352,676
Release of restriction	(385,728)	(354,102)
Increase/(decrease) in temporarily restricted net assets	(2,191)	(1,426)
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Interest income	-	48
Unrealized gain on endowment	-	-
Realized gain/(loss) on endowment	-	-
Endowment fees	-	-
Increase in permanently restricted net assets	-	48
Change in net assets	101,232	154,484
Merger equity	(11,814)	999,829
Net assets at beginning of year	3,464,547	2,310,234
Net assets at end of year	\$ 3,553,965	\$ 3,464,547

See accompanying notes and independent auditor's report

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended June 30, 2018 and 2017

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Net increase/(decrease) in net assets	\$ 101,232	\$ 154,484
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation expense	20,523	13,702
Change in endowment fund	(68)	(48)
Change in accounts receivable	5,269	(5,868)
Change in prepaid expenses	(900)	(226)
Change in promises to give	6,000	4,000
Change in mortgage loans, net	10,068	(664,517)
Change in inventories	(458)	(5,839)
Change in deposits	45,954	(40,954)
Change in construction in progress	243	(360,537)
Change in accounts payable	(19,128)	(493)
Change in accrued expenses	34,841	4,163
Net cash provided/(used) by operating activities	203,577	(902,133)
<b>Cash Flows from Investment Activities</b>		
Equity from merger	(11,841)	999,829
Purchase of property & equipment	22,897	(441,839)
Net cash (used) by investment activities	11,056	557,990
<b>Cash Flows from Financing Activities</b>		
Proceeds from loan fund	128,874	600,645
Payments on notes payable and line of credit	(296,720)	(259,616)
Net cash (used)/provided by financing activities	(167,846)	341,029
Net increase/(decrease) in cash	46,787	(3,114)
Cash & cash equivalents at beginning of period	291,097	294,211
Cash & cash equivalents at end of period	\$ 337,884	\$ 291,097
Interest paid 6/30/2018	\$ 19,636	
Interest paid 6/30/2017	\$ 21,377	

See accompanying notes and independent auditor's report

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2018

	Program Service	Support Service	Fund Raising	2018 Total
Salaries, payroll taxes and benefits	472,442	62,992	\$ 94,488	\$ 629,923
Building materials & supplies	1,194,915	-	-	1,194,915
Discount on mortgage origination	164,485	-	-	164,485
Mortgage processing fees	-	-	-	-
Tithe to Global Village	76,920	-	-	76,920
Family Support/selection	7,400	-	822	8,222
Auto and travel	7,517	-	2,506	10,022
Insurance	10,028	1,604	1,738	13,370
Interest expense	19,636	-	-	19,636
Advertising & publicity	12,861	-	-	12,861
Office supplies & expense	18,979	3,628	5,303	27,910
Office rent & utilities	-	14,324	-	14,324
Telephone	6,053	2,018	-	8,071
Flood response expense	434	-	-	434
Miscellaneous	-	47,564	-	47,564
Grant & CHFA fees	40,211	4,468	-	44,679
Professional fees	279	3,702	-	3,981
Contracted services	41,395	8,279	5,519	55,193
Education/training	-	5,086	-	5,086
Volunteer/board expense	1,942	2,994	3,156	8,092
	<u>2,075,495</u>	<u>156,660</u>	<u>113,532</u>	<u>2,345,688</u>
Depreciation	<u>20,523</u>	<u>-</u>	<u>-</u>	<u>20,523</u>
 Total expenses	 <u><u>\$ 2,096,018</u></u>	 <u><u>\$ 156,660</u></u>	 <u><u>\$ 113,532</u></u>	 <u><u>\$ 2,366,211</u></u>

See accompanying notes and independent auditor's report

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2017

	Program Service	Support Service	Fund Raising	2017 Total
Salaries, payroll taxes and benefits	459,220	61,229	91,844	612,294
Building materials & supplies	643,788	-	-	643,788
Discount on mortgage origination	250,955	-	-	250,955
Mortgage processing fees	-	-	-	-
Tithe to Global Village	62,731	-	-	62,731
Family Support/selection	2,716	-	285	3,001
Auto and travel	8,552	-	2,851	11,402
Insurance	23,899	3,824	4,143	31,866
Interest expense	-	21,377	-	21,377
Advertising & publicity	5,952	-	-	5,952
Office supplies & expense	25,410	4,858	7,100	37,367
Office rent & utilities	-	29,908	-	29,908
Telephone	4,903	1,634	-	6,537
Flood response expense	61,084	-	-	61,084
Miscellaneous	-	7,975	-	7,975
Grant & CHFA fees	17,645	1,961	-	19,605
Professional fees	813	10,798	-	11,611
Contracted services	32,795	4,373	6,559	43,726
Education/training	-	5,309	-	5,309
Volunteer/board expense	3,897	6,008	6,333	16,237
	<u>1,604,358</u>	<u>159,253</u>	<u>119,114</u>	<u>1,882,725</u>
Depreciation	11,430	-	-	11,430
Total expenses	<u>1,615,788</u>	<u>159,253</u>	<u>119,114</u>	<u>1,894,155</u>

See accompanying notes and independent auditor's report



HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity of the St. Vrain Valley, Inc. (the Organization) is a non-profit housing ministry that works in partnership with God and people from all walks of life to build simple, decent, affordable homes for people in need, while striving to make affordable housing a matter of conscience throughout the St. Vrain Valley area and around the world.

Estimates

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

Property and Equipment

Donations of property and equipment are recorded at their estimated fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Purchased property and equipment are recorded at cost. Depreciation expense of \$20,523 for 2018 and \$13,869 for 2017 is computed using the straight-line method over the estimated useful lives of the respective assets. Accumulated depreciation for vehicles and equipment is \$85,425 for 2018 and \$64,902 for 2017. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Contributions

Under FASB ASC No. 958, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Contributed Services

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation and does not require specialized skills. The Organization received approximately 28,702 and 24,135 hours of donated services from a variety of unpaid volunteers during the year ended June 30, 2018 and 2017, for assistance in fund-raising and home building.

Transfers to Homeowners

The sale of a completed home is recorded as a transfer to homeowner and includes the total cost of construction and the cost of the lot less any FHLB grant.

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Home Construction Costs and Construction in Progress

In accordance with the latest *Affiliate Operations Manual* issued by Habitat for Humanity International, Construction in Progress includes cost of uncompleted and unsold homes as of the end of the fiscal year. Costs incurred in conjunction with homes completed and sold are expensed as Building Materials and Supplies.

Mortgages Receivable

First mortgages receivable consist of non-interest bearing mortgages that are secured by real estate and payable in monthly installments over the life of the mortgage. Non-interest bearing mortgages have been discounted based upon the recommended uniform discount interest rate of 7.57% for 2018 and 7.48% for 2017 for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization over the life of the loan. A second mortgage is recorded with the county and reflects the differential between the recorded sale and the fair market value but is not recorded on the financial statement. The second mortgage is forgiven over the life of the first mortgage as payments are made on the first. See also Note C.

The Organization has six third/fourth mortgage receivables that are non-interest bearing mortgages that are secured by real estate. These receivables are payable after the homeowners' first mortgages are paid off in monthly installments over the life of the mortgage. Non-interest bearing mortgages have been discounted based upon the recommended uniform discount interest rate of 7.57% and 7.48% for 2018 and 2017. In 2017, the balance of the third/fourth mortgages was \$11,487, with a discount of \$11,487. In 2017, the balance of the third/fourth mortgages was \$51,821 with a discount of \$51,821.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Functional Expenses

Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

Unrestricted cash consists of checking and savings accounts totaling \$312,343 for 2018 and \$263,365 for 2017.

The Organization services the mortgages on the homes it sells with exception to the mortgages it sells to CHFA and other banking partners. Included in temporarily restricted cash is \$13,663 and \$17,494 for 2018 and 2017 which is the amount received for insurance and property taxes on such homes. Also, included in temporarily restricted cash are bank and gift card accounts of \$19 for 2018 and bank and gift card accounts of \$- for 2017.

Permanently restricted cash includes an endowment fund totaling \$1,359 for 2018 and \$1,291 for 2017.

For purposes of the statements of cash flows, the Organization considers all highly liquid investments that are available for current use to be cash equivalents.

Financial Statement Presentation

Under FASB ASC 958, Financial Statements of Not-for-Profit Organization, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Compensated Absences

It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

NOTE B – INVENTORIES

The Organization has estimated inventory in the ReStore store of \$55,415 and \$54,957 as of 2018 and 2017, based on the prior month sales.

NOTE C – DISCOUNT ON MORTGAGE RECEIVABLE

The Organization has elected not to record the discounts on mortgages receivable which arose in years prior to the year ended June 30, 2006. Discounts have been recorded only on mortgages which occurred after July 1, 2006.

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017

NOTE D – PROPERTY AND EQUIPMENT

Fixed assets at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Equipment - ReStore	\$ 44,056	\$ 44,056
Office Equipment	48,901	25,273
Building	450,000	450,000
Construction Equipment	25,007	25,007
Leasehold Improvements	<u>11,221</u>	<u>11,221</u>
	579,185	555,557
Less accumulated depreciation	<u>(85,425)</u>	<u>(64,902)</u>
	<u>\$ 493,760</u>	<u>\$490,655</u>

NOTE E – OPERATING LEASES

On July 17, 2009, the Organization signed a lease agreement with unrelated party for ReStore. The annual minimum rent beginning January 1, 2010, is \$7,667 which includes the Organization's share of insurance and taxes. There was an amendment to the original lease to account for the build out. The completion of the build out started a new lease period on March 12, 2016 and began a 7 year lease with monthly payments of \$9,908. Total rent expense was \$123,210 for 2018 and \$119,575 for 2017.

In October 2009, the organization signed a lease agreement with an unrelated party. The space is rented for \$350 per month, month to month. As of November 2015, the space has been rented out to AmeriCorps Members, when the Organization moved into their new space, for up to \$350 per month. Office rent expense was \$4,200 and \$4,200 for the years ended June 30, 2018 and 2017.

NOTE F – NOTES PAYABLE

Notes payable as of June 30, 2018 and 2017 are as follows:

Loans:	<u>2018</u>	<u>2017</u>
Habitat for Humanity International	\$ 10,897	\$ 14,557
City of Longmont, AHF Loan 17-001	127,874	-
City of Longmont, AHF Loan 05-002	87,750	97,500
City of Longmont, AHF Loan 02-003	89,362	101,362
City of Longmont, AHF Loan 11-002	65,000	70,000
City of Longmont, AHF Loan 09-001	90,967	100,967
City of Longmont, AHF Loan 10-001	32,500	35,000
City of Longmont, AHF Loan 12-001	98,000	105,000
City of Longmont, AHF Loan 12-002	35,000	37,500
City of Longmont, AHF Loan 14-001	120,000	127,500
Mile High Community Fund Loan	<u>-</u>	<u>25,045</u>
	757,350	714,431
Office Property note	<u>243,481</u>	<u>407,748</u>
	<u>\$ 1,000,831</u>	<u>\$1,122,179</u>

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 and 2017

NOTE F – NOTES PAYABLE (Continued)

The loans are payable annually in the amount of \$12,000 for loan 02-003, \$9,750 for loan 05-002, \$10,000 for loan 09-001, \$5,000 for loan 11-002, \$2,500 for loan 10-001, \$2,500 for loan 12-002, \$7,000 for loan 12-001, \$7,500 for loan 14-001 and \$6,500 for loan 17-001. All the City of Longmont loans are at 0% interest. The Mile High Community Fund Loan is a line of credit due in full 7/25/17 at an interest rate of 6.0%. The Habitat for Humanity International shop loan is due in monthly installments of \$210 at 0% interest. The line of credit is due 9-30-2018 and has a 4.75% interest rate.

Five year current maturities:

2019	58,770
2020	58,770
2021	58,770
2022	58,770
2023	58,770
Thereafter	706,981

NOTE G – RESTORE STORE

ReStore activities consist of the following:

	<u>2018</u>	<u>2017</u>
Gross Income	<u>\$ 773,514</u>	<u>\$ 653,438</u>
Expenses		
Equipment rental	2,760	2,281
Advertising	10,862	12,795
Payroll taxes	25,396	26,452
Utilities and telephone	4,092	3,276
Truck expense	3,776	2,839
Bad debt expense	-	-
Taxes other	41	25
Miscellaneous	4,467	926
Insurance	14,740	16,687
Travel	220	1,818
Personnel expenses	2,024	4,024
Outside labor	10,116	9,388
Supplies	520	4,622
Salaries & benefits	306,870	293,769
Postage and freight	19	199
Merchant & bank fees	16,028	12,631
Occupancy expense	175,237	177,526
Depreciation	-	2,439
Repairs and maintenance	-	-
Staff/Volunteer Expense	52	222
Fundraising Event	-	290
Total Expenses	<u>575,146</u>	<u>572,209</u>
Net Income	<u>\$ 198,368</u>	<u>\$ 81,229</u>

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 and 2017

NOTE H – CONTINGENCIES

Colorado Housing and Finance Authority (CHAFA) have the option to require the organization to repurchase any of the mortgages that are in default CHAFA has purchased from them. This is determined on a “for cause” basis as determined by CHAFA.

NOTE I – FUND RAISING – OTHER

Revenues	<u>2018</u>	<u>2017</u>
Mud Hen 5k	-	8,129
HTBB	244	32,870
Golf Tournament	20,350	16,517
Other	-	<u>88</u>
Total revenues	<u>20,594</u>	<u>57,604</u>
 Expense		
Development	4,640	2,311
HTBB	201	9,465
Year End Appeal	7,095	1,767
Mud Hen 5k	85	3,254
Golf Tournament	-	-
Other	<u>3,846</u>	<u>1,707</u>
Total expenses	<u>15,867</u>	<u>18,504</u>
 Net fund raising	 <u>\$4,727</u>	 <u>\$39,100</u>

NOTE J – SUBSEQUENT EVENTS

Events subsequent to June 30, 2018, have been evaluated through the date of this report, the date these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events to be disclosed.