

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

Financial Statements

June 30, 2019 and 2018



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, 2019 and 2018, 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.

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,

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in all material respects, the financial position of Habitat for Humanity of the St. Vrain Valley, Inc. as of June 30, 2019 and 2018, 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 26, 2020

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents, unrestricted	\$ 356,174	\$ 312,343
Cash and cash equivalents, restricted	38,943	25,541
Endowment fund	1,414	1,359
Accounts Receivable	23,508	599
Promises to give	-	-
Prepaid expenses	-	12,941
Inventory	76,055	55,415
Construction in progress	1,467,939	1,153,087
Non-interest bearing first mortgage loans less discount of \$1,794,378 and \$1,705,788	2,360,977	2,617,515
Non-interest bearing third/fourth mortgage loans less discount of \$51,552 and \$51,552	-	-
Deposit	1,300	2,000
Property and equipment - net	473,507	493,760
 Total Assets	 \$ 4,799,816	 \$ 4,674,560
LIABILITIES & NET ASSETS		
Liabilities:		
Accounts payable	\$ 73,565	\$ 35,898
Escrow payable	37,109	14,949
Accrued expenses	76,025	68,917
Line of credit	-	-
Notes payable	973,796	1,000,831
Total Liabilities	1,160,495	1,120,595
Net Assets:		
Unrestricted	3,598,965	3,527,065
Temporarily restricted	38,943	25,541
Permanently restricted	1,414	1,359
Total Net Assets	3,639,321	3,553,965
 Total Liabilities & Net Assets	 \$ 4,799,816	 \$ 4,674,560

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, 2019 and 2018

	2019	2018
UNRESTRICTED NET ASSETS		
Support and revenue		
Contributions	\$ 312,877	\$ 231,891
In-kind contributions	143,179	183,956
Grants	182,161	153,335
Governmental support	245,618	446,590
Transfers to homeowners	685,699	1,014,693
Fund raising - ReStore Store, net	180,499	198,368
Fund raising, net	(4,162)	4,727
Mortgage loan discount amortization	88,590	93,996
Interest income	679	644
Other revenue	281,526	139,243
Unrestricted support and revenue	2,116,666	2,467,443
Net assets released from restriction	(13,402)	2,191
Total unrestricted support and revenue	2,103,264	2,469,634
Expenses		
Program services		
Direct assistance programs	1,707,962	2,096,018
Supporting services		
Management and general	198,163	156,660
Fundraising	125,185	113,532
Total expenses	2,031,310	2,366,211
Increase/(decrease) in unrestricted net assets	71,954	103,423
TEMPORARILY RESTRICTED NET ASSETS		
Public support & grants	258,450	383,537
Release of restriction	(245,048)	(385,728)
Increase/(decrease) in temporarily restricted net assets	13,402	(2,191)
PERMANENTLY RESTRICTED NET ASSETS		
Interest income	-	-
Unrealized gain on endowment	-	-
Realized gain/(loss) on endowment	-	-
Endowment fees	-	-
Increase in permanently restricted net assets	-	-
 Change in net assets	 85,356	 101,232
Merger equity	-	(11,814)
Net assets at beginning of year	3,553,965	3,464,547
 Net assets at end of year	 \$ 3,639,321	 \$ 3,553,965

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, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Net increase/(decrease) in net assets	\$ 85,356	\$ 101,232
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation expense	21,253	20,496
Change in endowment fund	(55)	(68)
Change in accounts receivable	(22,909)	5,269
Change in prepaid expenses	12,941	(900)
Change in promises to give	-	6,000
Change in mortgage loans, net	256,539	10,068
Change in inventories	(20,640)	(458)
Change in deposits	700	45,954
Change in construction in progress	(314,852)	244
Change in accounts payable	37,667	(19,128)
Change in accrued expenses	29,269	34,841
Net cash provided/(used) by operating activities	85,268	203,550
Cash Flows from Investment Activities		
Equity from merger	-	(11,814)
Purchase of property & equipment	(1,000)	22,897
Net cash (used) by investment activities	(1,000)	11,083
Cash Flows from Financing Activities		
Proceeds from loan fund	37,919	128,874
Payments on notes payable and line of credit	(64,954)	(296,720)
Net cash (used)/provided by financing activities	(27,035)	(167,846)
Net increase/(decrease) in cash	57,233	46,787
Cash & cash equivalents at beginning of period	337,884	291,097
Cash & cash equivalents at end of period	\$ 395,117	\$ 337,884
Interest paid 6/30/2019	\$ 12,132	
Interest paid 6/30/2018	\$ 19,636	

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, 2019

	<u>Program Service</u>	<u>Support Service</u>	<u>Fund Raising</u>	<u>2019 Total</u>
Salaries, payroll taxes and benefits	521,999	69,600	\$ 104,400	\$ 695,999
Building materials & supplies	845,294	-	-	845,294
Discount on mortgage origination	82,689	-	-	82,689
Mortgage processing fees	-	-	-	-
Tithe to Global Village	102,053	-	-	102,053
Family Support/selection	3,825	-	425	4,250
Auto and travel	9,800	-	3,267	13,067
Insurance	15,215	2,434	2,637	20,287
Interest expense	12,132	-	-	12,132
Advertising & publicity	7,375	-	-	7,375
Office supplies & expense	23,064	4,409	6,444	33,918
Office rent & utilities	-	11,615	-	11,615
Telephone	4,977	1,659	-	6,636
Flood response expense	52	-	-	52
Miscellaneous	-	40,277	-	40,277
Critical repair expense	45,970	-	-	45,970
Grant & CHFA fees	11,720	1,302	-	13,022
Professional fees	280	3,720	-	4,000
Contracted services	44,995	8,999	5,999	59,993
Education/training	-	6,268	-	6,268
Volunteer/board expense	1,238	1,909	2,012	5,160
	<u>1,732,679</u>	<u>152,193</u>	<u>125,185</u>	<u>2,010,057</u>
Depreciation	<u>21,253</u>	<u>-</u>	<u>-</u>	<u>21,253</u>
Total expenses	<u><u>\$ 1,753,932</u></u>	<u><u>\$ 152,193</u></u>	<u><u>\$ 125,185</u></u>	<u><u>\$ 2,031,310</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, 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	-	32,776	-	32,776
Critical repair expense	14,789	-	-	14,788
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>2,090,284</u>	<u>141,872</u>	<u>113,532</u>	<u>2,345,688</u>
Depreciation	20,523	-	-	20,523
	<u>2,110,807</u>	<u>141,872</u>	<u>113,532</u>	<u>2,366,211</u>
Total expenses	2,110,807	141,872	113,532	2,366,211

See accompanying notes and independent auditor's report

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 and 2018

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 \$21,253 for 2019 and \$20,523 for 2018 is computed using the straight-line method over the estimated useful lives of the respective assets. Accumulated depreciation for vehicles and equipment is \$106,678 for 2019 and \$85,425 for 2018. 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 29,429 and 28,702 hours of donated services from a variety of unpaid volunteers during the year ended June 30, 2019 and 2018, 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, 2019 and 2018

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 consists 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 7.66% for 2019 and 7.57% for 2018 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 7.66% and 7.57% for 2019 and 2018. In 2019 and 2018, the balance of the second mortgages was \$11,487, with a discount of \$11,487. In 2019 and 2018, 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 2015, 2016, and 2017 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, 2019 and 2018

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 \$356,174 for 2019 and \$312,343 for 2018.

The Organization does not service the mortgages on the homes it sells to CHFA and other banking partners. Included in temporarily restricted cash is \$38,923 and \$13,663 for 2019 and 2018 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 \$20 for 2019 and bank and gift card accounts of \$19 for 2018.

Permanently restricted cash includes an endowment fund totaling \$1,414 for 2019 and \$1,359 for 2018.

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 \$76,055 and \$55,415 as of 2019 and 2018, 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, 2019 and 2018

NOTE D – PROPERTY AND EQUIPMENT

Fixed assets at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Equipment - ReStore	\$ 44,056	\$ 44,056
Office Equipment	49,901	48,901
Building	450,000	450,000
Construction Equipment	25,007	25,007
Leasehold Improvements	<u>11,221</u>	<u>11,221</u>
	580,185	579,185
Less accumulated depreciation	<u>(106,678)</u>	<u>(85,425)</u>
	<u>\$ 473,507</u>	<u>\$493,760</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 \$125,712 for 2019 and \$123,210 for 2018.

In October 2009, the organization signed a lease agreement with an unrelated party. The space was 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, 2019 and 2018.

NOTE F – NOTES PAYABLE

Notes payable as of June 30, 2019 and 2018 are as follows:

Loans:	<u>2019</u>	<u>2018</u>
Habitat for Humanity International	\$ 7,237	\$ 10,897
City of Longmont, AHF Loan 17-001	127,874	127,874
City of Longmont, AHF Loan 05-002	78,000	87,750
City of Longmont, AHF Loan 02-003	77,362	89,362
City of Longmont, AHF Loan 11-002	60,000	65,000
City of Longmont, AHF Loan 09-001	80,967	90,967
City of Longmont, AHF Loan 10-001	30,000	32,500
City of Longmont, AHF Loan 12-001	91,000	98,000
City of Longmont, AHF Loan 12-002	32,500	35,000
City of Longmont, AHF Loan 14-001	112,500	120,000
City of Longmont, AHF Loan 18-001	<u>37,919</u>	<u>-</u>
	735,359	757,350
Office Property note	<u>238,437</u>	<u>243,481</u>
	<u>\$ 973,796</u>	<u>\$1,000,831</u>

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019 and 2018

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, \$2,500 for loan 17-001 and \$0- for loan 18-001. 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 was due 9-30-2018 and has a 4.75% interest rate.

Five-year current maturities:

2020	68,770
2021	68,770
2022	68,447
2023	66,250
2024	66,250
Thereafter	507,435

NOTE G – RESTORE STORE

ReStore activities consist of the following:

	<u>2019</u>	<u>2018</u>
Gross Income	\$ 874,607	\$ 773,514
Expenses		
Equipment rental	3,415	2,760
Advertising	8,236	10,862
Payroll taxes	33,737	25,396
Utilities and telephone	2,345	4,092
Truck expense	6,473	3,776
Bad debt expense	-	-
Taxes other	25	41
Miscellaneous	6,269	4,467
Insurance	11,993	14,740
Travel	1,332	220
Personnel expenses	2,235	2,024
Outside labor	12,089	10,116
Supplies	150	520
Salaries & benefits	390,355	306,870
Postage and freight	-	19
Merchant & bank fees	18,482	16,028
Occupancy expense	196,167	175,237
Depreciation	-	-
Repairs and maintenance	-	-
Staff/Volunteer Expense	778	52
Fundraising Event	27	-
Total Expenses	<u>694,108</u>	<u>575,146</u>
Net Income	<u>\$ 180,499</u>	<u>\$ 198,368</u>

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019 and 2018

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>2019</u>	<u>2018</u>
Vehicle Donations	2,241	-
HTBB	9,584	244
Golf Tournament	400	20,350
Various other events	-	-
Total revenues	<u>12,225</u>	<u>20,594</u>
 Expense		
Development	5,482	4,640
HTBB	3,466	201
Year End Appeal	3,715	7,095
Mud Hen 5k	-	85
Golf Tournament	-	-
Various other events	<u>3,724</u>	<u>3,846</u>
Total expenses	<u>16,387</u>	<u>15,867</u>
 Net fund raising	 <u>\$(4,162)</u>	 <u>\$4,727</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.