

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

Financial Statements

June 30, 2020 and 2019



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, 2020 and 2019, 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, 2020 and 2019, 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

May 3, 2021

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents, unrestricted	\$ 755,788	\$ 356,174
Cash and cash equivalents, restricted	22,619	38,943
Endowment fund	1,417	1,414
Accounts Receivable	210,823	23,508
Promises to give	-	-
Prepaid expenses	-	-
Inventory	51,903	76,055
Construction in progress	794,830	1,467,939
Non-interest bearing first mortgage loans less discount of \$1,786,021 and \$1,794,378	1,401,055	2,360,977
Non-interest bearing third/fourth mortgage loans less discount of \$51,552 and \$51,552	-	-
Real estate owned	237,100	-
Deposit	-	1,300
Property and equipment - net	453,287	473,507
 Total Assets	 \$ 3,928,822	 \$ 4,799,816
LIABILITIES & NET ASSETS		
Liabilities:		
Accounts payable	\$ 57,754	\$ 73,565
Escrow payable	19,824	37,109
Accrued expenses	35,887	76,025
SBA loan]	217,500	-
HFH loan	153,654	-
Line of credit	-	-
Notes payable	907,149	973,796
Total Liabilities	1,391,768	1,160,495
Net Assets:		
Unrestricted	2,513,018	3,598,965
Temporarily restricted	22,619	38,943
Permanently restricted	1,417	1,414
Total Net Assets	2,537,054	3,639,321
 Total Liabilities & Net Assets	 \$ 3,928,822	 \$ 4,799,816

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, 2020 and 2019

	2020	2019
UNRESTRICTED NET ASSETS		
Support and revenue		
Contributions	\$ 260,805	\$ 312,877
In-kind contributions	187,026	143,179
Grants	140,100	182,161
Governmental support	70,725	245,618
Transfers to homeowners	655,200	685,699
Fund raising - ReStore Store, net	36,484	180,499
Fund raising, net	10,696	(4,162)
Mortgage loan discount amortization	77,631	88,590
Interest income	1,819	679
Other revenue	396,168	281,526
Unrestricted support and revenue	1,836,654	2,116,666
Net assets released from restriction	16,324	(13,402)
Total unrestricted support and revenue	1,852,978	2,103,264
Expenses		
Program services		
Direct assistance programs	2,613,719	1,753,932
Supporting services		
Management and general	181,707	152,193
Fundraising	143,496	125,185
Total expenses	2,938,921	2,031,310
Increase/(decrease) in unrestricted net assets	(1,085,943)	71,954
TEMPORARILY RESTRICTED NET ASSETS		
Public support & grants	209,043	258,450
Release of restriction	(225,367)	(245,048)
Increase/(decrease) in temporarily restricted net assets	(16,324)	13,402
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	(1,102,267)	85,356
Merger equity	-	-
Net assets at beginning of year	3,639,321	3,553,965
Net assets at end of year	\$ 2,537,054	\$ 3,639,321

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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Net increase/(decrease) in net assets	\$ (1,102,267)	\$ 85,356
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation expense	20,220	21,253
Change in endowment fund	(3)	(55)
Change in accounts receivable	(187,315)	(22,909)
Change in prepaid expenses	24,152	12,941
Change in promises to give	-	-
Change in mortgage loans, net	959,922	256,539
Change in inventories	673,109	(20,640)
Real estate owned	(237,100)	-
Change in deposits	1,300	700
Change in construction in progress	-	(314,852)
Change in accounts payable	(17,285)	37,667
Change in accrued expenses	(57,422)	29,269
Net cash provided/(used) by operating activities	77,311	85,268
Cash Flows from Investment Activities		
Equity from merger	-	-
Purchase of property & equipment	(1,000)	(1,000)
Net cash (used) by investment activities	(1,000)	(1,000)
Cash Flows from Financing Activities		
Proceeds from loan fund	373,626	37,919
Payments on notes payable and line of credit	(66,647)	(64,954)
Net cash (used)/provided by financing activities	306,979	(27,035)
Net increase/(decrease) in cash	383,290	57,233
Cash & cash equivalents at beginning of period	395,117	337,884
Cash & cash equivalents at end of period	\$ 778,407	\$ 395,117
Interest paid 6/30/2020	\$ 12,479	
Interest paid 6/30/2019	\$ 12,132	

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, 2020

	Program Service	Support Service	Fund Raising	2020 Total
Salaries, payroll taxes and benefits	605,901	80,787	121,180	807,868
Building materials & supplies	1,552,556	-	-	1,552,556
Discount on mortgage origination	70,156	-	-	70,156
Mortgage processing fees	-	-	-	-
Tithe to Global Village	95,106	-	-	95,106
Family Support/selection	5,187	-	640	5,827
Auto and travel	4,196	-	1,399	5,594
Insurance	15,641	2,503	2,711	20,855
Interest expense	12,479	-	-	12,479
Advertising & publicity	12,085	-	-	12,085
Office supplies & expense	27,547	6,357	8,476	42,380
Office rent & utilities	-	34,743	-	34,743
Telephone	4,910	1,637	-	6,546
Flood response expense	-	-	-	-
Miscellaneous	-	32,776	-	32,776
Critical repair expense	88,033	-	-	88,033
Grant & CHFA fees	53,463	5,940	-	59,403
Professional fees	-	-	-	-
Contracted services	44,280	8,856	5,904	59,040
Education/training	-	5,086	-	5,086
Volunteer/board expense	1,960	3,022	3,186	8,168
	<u>2,593,499</u>	<u>181,707</u>	<u>143,496</u>	<u>2,918,701</u>
Depreciation	20,220	-	-	20,220
Total expenses	<u>2,613,719</u>	<u>181,707</u>	<u>143,496</u>	<u>2,938,921</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, 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	21,253	-	-	21,253
	<u>\$ 1,753,932</u>	<u>\$ 152,193</u>	<u>\$ 125,185</u>	<u>\$ 2,031,310</u>

See accompanying notes and independent auditor's report

HABITAT FOR HUMANITY OF THE ST. VRAIN VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

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 \$20,220 for 2020 and \$21,253 for 2019 is computed using the straight-line method over the estimated useful lives of the respective assets. Accumulated depreciation for vehicles and equipment is \$128,898 for 2020 and \$106,678 for 2019. 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 18,654 and 29,429 hours of donated services from a variety of unpaid volunteers during the year ended June 30, 2020 and 2019, 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, 2020 and 2019

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 7.38% for 2020 and 7.66% for 2019 for low 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 7.38% and 7.66% for 2020 and 2019. In 2020 and 2019, the balance of the second mortgages was \$11,487, with a discount of \$11,487. In 2020 and 2019, 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 2016, 2017, and 2018 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, 2020 and 2019

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 \$755,788 for 2020 and \$356,174 for 2019.

The Organization does not service the mortgages on the homes it sells to CHFA and other banking partners. Included in temporarily restricted cash is \$22,619 and \$38,923 for 2020 and 2019 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 2020 and bank and gift card accounts of \$20 for 2019.

Permanently restricted cash includes an endowment fund totaling \$1,417 for 2020 and \$1,414 for 2019.

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 \$51,903 and \$76,055 as of 2020 and 2019, 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, 2020 and 2019

NOTE D – PROPERTY AND EQUIPMENT

Fixed assets at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Equipment - ReStore	\$ 44,056	\$ 44,056
Office Equipment	49,901	49,901
Building	450,000	450,000
Construction Equipment	25,007	25,007
Leasehold Improvements	<u>11,221</u>	<u>11,221</u>
	580,185	580,185
Less accumulated depreciation	<u>(126,898)</u>	<u>(106,678)</u>
	<u>\$ 452,287</u>	<u>\$473,507</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 2020 and \$125,712 for 2019.

In October 2019, the organization signed a lease agreement with an unrelated party. The space is rented for \$200 per month, month to month. As of November 2019 the space has been rented out to AmeriCorps Members, for an amount that covers the cost of the space. Office rent expense was \$4,200 and \$4,200 for the years ended June 30, 2020 and 2019.

NOTE F – NOTES PAYABLE

Notes payable as of June 30, 2020 and 2019 are as follows:

Loans:	<u>2020</u>	<u>2019</u>
Habitat for Humanity International	\$ 4,516	\$ 7,237
City of Longmont, AHF Loan 17-001	127,874	127,874
City of Longmont, AHF Loan 05-002	68,250	78,000
City of Longmont, AHF Loan 02-003	65,362	77,362
City of Longmont, AHF Loan 11-002	55,000	60,000
City of Longmont, AHF Loan 09-001	70,967	80,967
City of Longmont, AHF Loan 10-001	27,500	30,000
City of Longmont, AHF Loan 12-001	84,000	91,000
City of Longmont, AHF Loan 12-002	30,000	32,500
City of Longmont, AHF Loan 14-001	105,000	112,500
City of Longmont, AHF Loan 18-001	<u>37,919</u>	<u>37,919</u>
	676,388	735,359
Office Property note	<u>230,761</u>	<u>238,437</u>
	<u>\$ 907,149</u>	<u>\$ 973,796</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

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 \$298 at 0% interest. There is a line of credit in the amount of \$150,000 that had a \$-0- balance at year end. Interest rate is tied to the prime rate.

Five-year current maturities:

2021	64,222
2022	62,182
2023	60,646
2024	60,646
2025	60,646
Thereafter	368,642

NOTE G – RESTORE STORE

ReStore activities consist of the following:

	<u>2020</u>	<u>2019</u>
Gross Income	<u>\$ 701,997</u>	<u>\$ 874,607</u>
Expenses		
Equipment rental	2,339	3,415
Advertising	8,615	8,236
Payroll taxes	28,946	33,737
Utilities and telephone	2,390	2,345
Truck expense	4,500	6,473
Bad debt expense	-	-
Taxes other	41	25
Miscellaneous	7,259	6,269
Insurance	7,272	11,993
Travel	333	1,332
Personnel expenses	1,385	2,235
Outside labor	10,180	12,089
Supplies	6,602	150
Salaries & benefits	366,399	390,355
Postage and freight	-	-
Merchant & bank fees	16,365	18,482
Occupancy expense	202,535	196,167
Depreciation	-	-
Repairs and maintenance	-	-
Staff/Volunteer Expense	352	778
Fundraising Event	-	27
Total Expenses	<u>665,513</u>	<u>694,108</u>
Net Income	<u>\$ 36,484</u>	<u>\$ 180,499</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

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>2020</u>	<u>2019</u>
Golf Tournament	18,750	2,241
HTBB	405	9,584
Vehicle Donations	376	400
Various other events	<u>3,700</u>	<u>-</u>
Total revenues	<u>23,231</u>	<u>12,225</u>
 Expense		
Development	4,836	5,482
HTBB	-	3,466
Year End Appeal	723	3,715
Fund Raising	2,100	-
Golf Tournament	-	-
Various other events	<u>-</u>	<u>3,724</u>
Total expenses	<u>7,659</u>	<u>16,387</u>
 Net fund raising	 <u>\$15,572</u>	 <u>\$(4,162)</u>

Note J – OTHER REAL ESTATE OWNED

At year end the Organization owned a house that it had foreclosed on in the amount of \$237,100. There is an outstanding loan on this property in the amount of \$153,654 From Habitat for Humanity Colorado used to purchase the house back. The loan was issued on April 21, 2020 with a 3.25% interest rate and was paid in full on August 25, 2020. The property was sold after year end.

NOTE K – SUBSEQUENT EVENTS

Events subsequent to June 30, 2020, 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.