

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**(Together with Independent Auditors' Report)**



**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Fort Collins Habitat for Humanity, Inc.

We have audited the accompanying financial statements of Fort Collins Habitat for Humanity, Inc. (a Colorado non-profit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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; 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.

### **Auditors' 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. 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 auditors' 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.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Collins Habitat for Humanity, Inc., as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States.

## **Report on Summarized Comparative Information**

The financial statements of Fort Collins Habitat for Humanity, Inc., as of June 30, 2017, were audited by Bauerle and Company, P.C., who merged with Wipfli LLP as of February 1, 2018, and whose report dated November 30, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Wipfli LLP*

Wipfli LLP  
Denver, Colorado

December 5, 2018

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2018**

**(With Comparative Totals as of June 30, 2017)**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 271,447	\$ 486,532
Inventory	2,097,601	2,220,631
Mortgages Receivable - Net of Unamortized Discount	517,073	623,086
Contributions and Grants Receivable	64,856	147,460
Prepaid Expenses and Deposits	57,252	67,236
Property and Equipment, Net	<u>284,656</u>	<u>281,932</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,292,885</u></b>	<b><u>\$ 3,826,877</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts Payable	\$ 105,972	\$ 75,535
Accrued Liabilities	62,034	64,511
Forgivable Notes Payable	380,000	630,000
Notes Payable	<u>225,620</u>	<u>222,456</u>
<b>TOTAL LIABILITIES</b>	<b><u>773,626</u></b>	<b><u>992,502</u></b>
<b>NET ASSETS</b>		
Unrestricted	2,363,719	2,517,015
Temporarily Restricted	<u>155,540</u>	<u>317,360</u>
<b>TOTAL NET ASSETS</b>	<b><u>2,519,259</u></b>	<b><u>2,834,375</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,292,885</u></b>	<b><u>\$ 3,826,877</u></b>

The accompanying notes are an integral part of the financial statements.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL 2018</u>	<u>TOTAL 2017</u>
<b>REVENUES AND SUPPORT:</b>				
<b>Operating Revenues:</b>				
Sale to Homeowners	\$ 859,881	\$ -	\$ 859,881	\$ 400,058
ReStore Revenue	765,425	-	765,425	783,006
Proceeds from Forgivable Mortgages	58,340	-	58,340	-
Miscellaneous Income	13,177	-	13,177	39,190
Mortgage Discount Amortization	106,343	-	106,343	44,990
Discount Earned on Sale of Mortgage Loans Receivable	<u>434,738</u>	<u>-</u>	<u>434,738</u>	<u>445,879</u>
<b>Total Operating Revenues</b>	<u>2,237,904</u>	<u>-</u>	<u>2,237,904</u>	<u>1,713,123</u>
<b>Support:</b>				
Contributions and Grants	316,938	368,167	685,105	1,319,388
Forgiveness of debt	250,000	-	250,000	215,460
Special Events, Net	40,989	-	40,989	99,752
Net Assets Released from Restrictions	<u>529,987</u>	<u>(529,987)</u>	<u>-</u>	<u>-</u>
<b>Total Support</b>	<u>1,137,914</u>	<u>(161,820)</u>	<u>976,094</u>	<u>1,634,600</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<u>3,375,818</u>	<u>(161,820)</u>	<u>3,213,998</u>	<u>3,347,723</u>
<b>EXPENSES:</b>				
<b>Program Services:</b>				
Home Construction	2,308,706	-	2,308,706	1,339,307
ReStore	<u>755,710</u>	<u>-</u>	<u>755,710</u>	<u>661,117</u>
<b>Total Program Services</b>	<u>3,064,416</u>	<u>-</u>	<u>3,064,416</u>	<u>2,000,424</u>
<b>Supporting Services:</b>				
Fundraising	308,175	-	308,175	294,402
General and Administrative	<u>156,523</u>	<u>-</u>	<u>156,523</u>	<u>126,860</u>
<b>Total Supporting Services</b>	<u>464,698</u>	<u>-</u>	<u>464,698</u>	<u>421,262</u>
<b>TOTAL EXPENSES</b>	<u>3,529,114</u>	<u>-</u>	<u>3,529,114</u>	<u>2,421,686</u>
<b>CHANGE IN NET ASSETS</b>	(153,296)	(161,820)	(315,116)	926,037
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>2,517,015</u>	<u>317,360</u>	<u>2,834,375</u>	<u>1,908,338</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,363,719</u>	<u>\$ 155,540</u>	<u>\$ 2,519,259</u>	<u>\$ 2,834,375</u>

The accompanying notes are an integral part of the financial statements.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

**(With Comparative Totals for the Year Ended June 30, 2017)**

	PROGRAM SERVICES		SUPPORTING SERVICES		2018 Total	2017 Total
	Home Construction	ReStore	Fundraising	General and Administrative		
Advertising, Printing, and Publication	\$ 4,739	\$ 10,047	\$ 3,968	\$ 2,315	\$ 21,069	\$ 32,630
Bank and Credit Card Fees	679	14,101	568	332	15,680	13,859
Computer Expenses	6,447	11,320	5,397	3,148	26,312	31,588
Conferences, Meals, and Entertainment	5,889	92	4,931	2,876	13,788	17,730
Contract Labor	24,442	-	20,463	11,937	56,842	40,013
Construction Costs	1,473,621	-	-	-	1,473,621	747,385
Depreciation and Amortization	6,099	3,283	5,106	2,979	17,467	18,607
Discount on Mortgages	484,596	-	-	-	484,596	229,173
Employee Benefits	14,430	38,805	12,987	7,576	73,798	63,187
Fundraising Expenses	-	-	30,670	-	30,670	23,994
Insurance	4,318	24,842	3,615	2,109	34,884	30,028
Interest	5,057	-	4,234	2,470	11,761	13,133
Land Expenses	13	-	-	-	13	14,044
Miscellaneous	10,503	13,806	9,453	5,514	39,276	35,475
Mortgage Servicing	8,504	-	-	-	8,504	7,166
Office Expenses	14,135	7,244	11,834	6,903	40,116	37,059
Payroll Taxes	18,133	24,912	16,320	9,520	68,885	51,813
Professional Fees	-	-	15,971	3,961	19,932	25,344
Purchased Goods	-	51,611	-	-	51,611	29,878
Rent	-	124,246	-	-	124,246	116,671
Repairs and Maintenance	482	72,490	403	235	73,610	69,755
Salaries	175,793	328,446	158,214	92,291	754,744	698,257
Telephone and Utilities	1,016	27,406	851	496	29,769	33,550
Tithe	46,000	-	-	-	46,000	35,000
Vehicles Expenses	3,810	3,059	3,190	1,861	11,920	6,347
<b>Total Expenses</b>	<b>\$ 2,308,706</b>	<b>\$ 755,710</b>	<b>\$ 308,175</b>	<b>\$ 156,523</b>	<b>\$ 3,529,114</b>	<b>\$ 2,421,686</b>

The accompanying notes are an integral part of the financial statements.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (315,116)	\$ 926,037
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Operating Activities:		
Depreciation and Amortization	17,467	18,607
Mortgage Loans Issued - Net of Discount to Net Present Value	(370,286)	(164,385)
Amortization of Discount on Mortgage Loans	(106,343)	(44,990)
(Gain) on Sale of Mortgage Loans	(434,738)	(445,879)
(Gain) on Sale of Property and Equipment	(1,290)	-
Forgiveness of Forgivable Notes Payable	(250,000)	(215,460)
Change in Operating Assets and Liabilities:		
Inventory	123,030	(1,455,768)
Contributions and Grants Receivable	82,604	(111,124)
Prepaid Expenses and Deposits	9,984	78,889
Accounts Payable	30,437	(32,224)
Accrued Liabilities	(2,477)	828
Escrow Deficit	-	(8,235)
<b>Net Cash (Used In)         Operating Activities</b>	<u>(1,216,728)</u>	<u>(1,453,704)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Mortgage Payments Received	185,536	103,338
Proceeds from Sale of Mortgages	831,844	868,609
(Purchase of) Property and Equipment	(10,218)	(3,500)
Proceeds from Sale of Property and Equipment	9,819	-
<b>Net Cash Provided By         Investing Activities</b>	<u>1,016,981</u>	<u>968,447</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Forgivable Notes Payable	-	420,000
(Repayment of) Notes Payable	(15,338)	(14,877)
<b>Net Cash Provided By (Used In)         Financing Activities</b>	<u>(15,338)</u>	<u>405,123</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(215,085)</u>	<u>(80,134)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>486,532</u>	<u>566,666</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 271,447</u>	<u>\$ 486,532</u>
<b><u>SUPPLEMENTAL DISCLOSURE:</u></b>		
Interest Paid	<u>\$ 11,761</u>	<u>\$ 13,133</u>
<b><u>NONCASH INVESTING AND FINANCING ACTIVITIES</u></b>		
Property and Equipment Purchased with Note Payable	<u>\$ 18,502</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017**

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**1 Summary of Significant Accounting Policies.**

**Nature of Organization.** Fort Collins Habitat for Humanity, Inc. (the “Organization”) is a non-profit tax-exempt organization formed on January 8, 1993. The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended; accordingly, a provision for income taxes has not been made. The Internal Revenue Service has determined the Organization is not a private foundation.

The Organization is part of a global, nonprofit housing organization operated on Christian principles that seeks to put God’s love into action by building homes, communities, and hope. The Organization is dedicated to eliminating substandard housing in the Fort Collins area and worldwide through constructing, rehabilitating, and preserving homes; by advocating for fair and just housing policies; and by providing training and access to resources to help families improve their shelter conditions. The Organization was founded on the conviction that every man, woman, and child should have a simple, durable place to live in dignity and safety, and that decent shelter in decent communities should be a matter of conscience and action for all.

The Organization has an open-door policy: All who believe that everyone needs a decent, affordable place to live are welcome to help with the work, regardless of race, religion, age, gender, political views or any of the other distinctions that too often divide people. In short, the Organization welcomes volunteers and supporters from all backgrounds and also serves people in need of decent housing regardless of race or religion.

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 goods are sold; therefore, no value for the ReStore inventory is included in these financial statements. The ReStore is operated with the sole purpose of generating funds to assist the Organization’s mission of building houses.

The Organization is an affiliate of Habitat for Humanity International.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017**

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**1 Summary of Significant Accounting Policies. (Continued)**

**Income Tax Status.** The Organization 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. There were no unrelated business income taxes for the years ended June 30, 2018 and 2017. 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 Generally Accepted Accounting Principles, all organizations are 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 penalty 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.

**Basis of Accounting.** The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP) and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

**Comparative Financial Information.** The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. The prior year presentation does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**Financial Statement Presentation.** The financial statement presentation follows the requirements under GAAP for Not-for-Profit Organizations. Under this presentation, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Unrestricted net assets come primarily from donations, grants, outlet store revenue, sales to homeowners, and contributions and are used by the Organization for program or supporting services. Temporarily restricted net assets are those net assets whose use has been limited by donors to later periods of time, after specified dates, or to specified purposes. Permanently restricted net assets must be maintained in perpetuity.

**Estimates.** The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017**

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**1 Summary of Significant Accounting Policies. (Continued)**

**Recognition of Revenue and Support.** The Organization records unconditional contributions in accordance with the requirements of GAAP for Not-for-Profit Organizations. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Conditional promises to give are recognized as support when the conditions on which they depend are substantially met. Assets received with a conditional promise for use of those assets are accounted for as refundable advances, until the conditions on which they depend are substantially met.

**Donated Goods and Services.** Donated services are recognized as contributions in accordance with Generally Accepted Accounting Principles for Not-for-Profit Organizations, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization did not recognize any donated professional services during the years ended June 30, 2018 and 2017. Volunteers also provided substantial assistance with specific programs and fundraising events throughout the year that were not recognized as contributions in the financial statements because the recognition criteria were not met.

Donations of assets are recorded at estimated fair market value at the date of donation, except for goods donated to the ReStore. Consistent with the Habitat International Affiliate Operations Manual, goods donated to the ReStore are reflected as revenue at the time of sale when there is an objective, measurable basis for determining the fair value. Donated construction related goods totaled \$51,960 and \$1,000, for the years ended June 30, 2018 and 2017, respectively.

**Functional Allocation of Expenses.** The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Program activities are those that are conducted in accordance with the Organization's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to an organization's existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by function have been allocated based upon management's estimates of the time each employee spends working in each category or the percentage of office space devoted to each category.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017**

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**1 Summary of Significant Accounting Policies. (Continued)**

**Cash Equivalents.** For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

**Contributions and Grants Receivable.** The Organization records as contributions and grants receivable unconditional promises to give. These unconditional promises represent written or oral agreements to contribute cash or other assets to the organization. At June 30, 2018 and 2017, management deemed all contributions and grants receivable to be fully collectible; accordingly, no allowance for uncollectible contributions and grants was required. Additionally, at June 30, 2018 and 2017, all contributions and grants receivable are due within one year.

**Mortgages Receivable.** Mortgages receivable consist of non-interest-bearing mortgages that are secured by real estate and payable in monthly instalments over the life of the mortgage. The mortgages are carried at their current present value using an imputed rate provided by Habitat for Humanity International on an annual basis. The discount is recognized as income over the term of the mortgage.

**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 June 30, 2018 and 2017.

**Inventory.** Inventory consists of land held for future development and construction in progress. Land held for future development is recorded at cost. All costs incurred in constructing a home are capitalized and recorded at cost. These costs include donated goods and services associated with the individual project.

**Property and Equipment.** Property and equipment are carried at cost or fair-market value at date of contribution. Property and equipment acquired with an estimated useful life in excess of one year and a cost of more than \$1,000 is capitalized and depreciated using the straight-line method over the estimated useful lives of the assets.

Donations of assets are recorded at estimated fair market value. Long-lived assets are recorded without implying a time restriction, therefore, increasing unrestricted net assets at the fair market value in the year which the assets are received.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017**

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**1 Summary of Significant Accounting Policies. (Continued)**

**Escrow Deficit.** The Organization outsources the processing, collection, and payment of homeowner escrows, including property tax and insurance, to a third party. The Organization is only responsible for escrow shortages which have not been recouped from the homeowner. The escrow deficit liability reflected in the Organization's financial statements consists of escrow shortages as reported by the third-party administrator.

**Fair Value of Financial Instruments.** The Organization's financial instruments include cash and cash equivalents, receivables, accounts payable, and short-term borrowings. The fair values of these financial instruments approximate their carrying amounts based on current market indicators, such as prevailing interest rates and their nearness to maturity.

**Subsequent Events.** In preparing its financial statements, the Organization has evaluated subsequent events through December 5, 2018, which is the date the financial statements were available to be issued. Management of the Organization has not identified any material subsequent events that require reporting or disclosure, except as discussed in Note 13.

**Recently Issued Accounting Pronouncements.** In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This ASU is meant to eliminate diversity in practice and increase comparability among Not-for-Profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a Not-for-Profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017**

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**1 Summary of Significant Accounting Policies. (Continued)**

**Recently Issued Accounting Pronouncements. (Continued)**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the balance sheet a right-of-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for nonpublic companies for fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments in this update should be applied using a modified retrospective approach. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have an impact on the Organization's financial statements.

**2 Concentrations of Credit Risk.**

Financial instruments which potentially subject the Organization to credit risk consist of cash accounts that may, during the year, exceed the federally insured limit set by the FDIC. Cash accounts are guaranteed by the FDIC up to \$250,000. As of June 30, 2018 and 2017, the Organization had deposits in excess of federally insured limits of approximately \$87,000 and \$240,000, respectively. The Organization reduces credit risk by placing its cash with creditworthy, high-quality financial institutions.

**3 Mortgages Receivable.**

Mortgages receivable at June 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Mortgages Receivable at Face Value	\$ 1,084,166	\$ 1,324,865
Less: Unamortized Discount	<u>( 567,093)</u>	<u>( 701,779)</u>
Net Mortgages Receivable	517,073	623,086
Less: Current Portion, Net of Unamortized Discount	<u>( 32,291)</u>	<u>( 95,386)</u>
Long Term Portion, Net of Unamortized Discount	<u>\$ 484,782</u>	<u>\$ 527,700</u>

During the years ended June 30, 2018 and 2017, the Organization funded five and three new mortgages totaling \$854,882 and \$393,558, respectively. When the mortgages are funded the discount to net present value is calculated and expensed.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017**

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**3 Mortgages Receivable. (Continued)**

At June 30, 2018 and 2017, the Organization had 16 and 20 outstanding mortgages receivable, respectively, with applicable discount rates ranging from 7.47% - 9.00%. The discount rates are set by Habitat for Humanity International based on the annual simple average of the rates published by the Internal Revenue Service under 2010-5 Section 42(B)(2) for buildings placed into service during the period. The rate in effect at the time the loan is made is the rate that is used to discount the mortgage.

All mortgage notes are collateralized by the respective homes sold. The Board of Directors meets together with management on a regular basis to review delinquent loans, if any, and to consider if any foreclosure proceedings should be initiated. Receivable balances are considered to be delinquent based on contractual terms. The need for an allowance is based on past collection experience and on an analysis of current mortgage receivable collectability. Management believes that the fair value of each underlying mortgaged asset exceeds the value of the associated loan outstanding; therefore, no allowance for uncollectible mortgages is recorded.

**4 Inventory.**

At June 30, 2018 and 2017, inventory consists of the following:

	<u>2018</u>	<u>2017</u>
Construction-in-Progress	\$ 665,238	\$ 646,775
Land and Improvements	<u>1,432,363</u>	<u>1,573,856</u>
	<u>\$ 2,097,601</u>	<u>\$ 2,220,631</u>

**5 Property and Equipment.**

Property and equipment, net of accumulated depreciation, consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 41,096	\$ 41,096
Building	202,548	210,273
Office Equipment	-	560
Construction Equipment	7,097	10,555
Vehicles	<u>33,915</u>	<u>19,448</u>
	<u>\$ 284,656</u>	<u>\$ 281,932</u>

Depreciation and amortization expense charged to operations for the years ended June 30, 2018 and 2017, was \$17,467 and \$18,607, respectively.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**6 Notes Payable.**

The following is a summary of the notes payable at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Guaranty Bank and Trust (payable in monthly installments of \$1,598, including principal and interest; bearing interest at the Wall Street prime rate plus 3.5% with a minimum rate of 5.85%; matures in September 2019; secured by real estate)	\$ 207,389	\$ 214,803
Ally Bank (payable in monthly installments of \$352, including principal and interest; bearing interest at 5.24%; matures in June 2023; secured by a vehicle)	18,231	-
Guaranty Bank and Trust (payable in monthly installments of \$307, including principal and interest; bearing interest at 5.25%; paid -off in April 2018; secured by a vehicle)	-	6,633
Habitat for Humanity International, Inc. (non-interest bearing note payable in monthly installments of \$81, matured in June 2018; unsecured)	-	1,020
	<u>225,620</u>	<u>222,456</u>
Less: Current Maturities	<u>10,727</u>	<u>11,460</u>
Notes Payable – Due After One Year	<u>\$ 214,893</u>	<u>\$ 210,996</u>

The following are future maturities of the notes payables for the years ending June 30:

2019	\$ 10,727
2020	203,468
2021	3,697
2022	3,895
2023	3,833
	<u>\$ 225,620</u>

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

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**7 Forgivable Notes Payable.**

Forgivable notes payable consists of the following:

	<u>2018</u>	<u>2017</u>
CDBG Harmony (Forgivable note, no interest or principal payments required. The note will be forgiven and recorded as grant revenue on a pro-rata basis for each home sold to qualifying homeowners.)	\$ 380,000	\$ 420,000
CDBG Ridgewood Hills (Forgivable note, no interest or principal payments required. The note will be forgiven and recorded as grant revenue on a pro-rata basis for each home sold to qualifying homeowners.)	<u>-</u>	<u>210,000</u>
Total Forgivable Notes Payable	<u>\$ 380,000</u>	<u>\$ 630,000</u>

**8 Line-of-Credit.**

The Organization has entered into a \$100,000 revolving line-of-credit agreement with Guaranty Bank and Trust Company. The line bears interest at a rate equal to the Wall Street Journal prime rate plus one percent with a minimum rate of 4.5%, matures on January 5, 2019, and is secured by substantially all of the assets of the Organization. At June 30, 2018 and 2017, there was no outstanding balance on this line-of-credit.

**9 Temporarily Restricted Net Assets.**

At June 30, 2018 and 2017, the Organization's temporarily restricted net assets were restricted to the following:

Home sponsorships	\$ 138,834	\$ 169,900
Time restricted	<u>16,606</u>	<u>147,460</u>
	<u>\$ 155,540</u>	<u>\$ 317,360</u>

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

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**10 Operating Lease.**

The Organization conducts its ReStore activities from facilities that are leased under an operating lease through April 1, 2025. The lease may be terminated at any time after May 1, 2020. Future minimum rental payments required under the above operating lease for the years ending June 30, are as follows:

2019	\$ 97,562
2020	100,188
2021	102,816
2022	105,438
2023	108,063
Thereafter	<u>204,750</u>
	<u>\$ 718,817</u>

Rent expense for the years ended June 30, 2018 and 2017, was \$124,246 and \$116,671, respectively.

**11 Transactions with Habitat International and Habitat for Humanity of Colorado.**

The Organization voluntarily remits a portion of its contributions to Habitat International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2018 and 2017, the Organization contributed \$46,000 and \$35,000, respectively, to Habitat International. This amount is included in Program Services in the Statement of Activities.

The Organization is a sub-recipient of certain government grants received directly by Habitat for Humanity of Colorado.

**12 Mortgage Loan Sales.**

On September 20, 2016, the Organization entered into an agreement to sell eight of its mortgage loans to a financial institution for \$868,609. At the time of the sale, the mortgage loans had an aggregate outstanding principal balance of \$965,121 and an unamortized discount of \$542,391. Under the terms of the agreement, the Organization will continue servicing the mortgage loans, including both principal payments and escrow. In the event any of the loans sold to the financial institution become greater than 90 days delinquent with respect to principal payments due under the loan, the Organization agrees to provide a qualifying substitute loan to the financial institution or repurchase the loan(s) at a price equal to the outstanding principal balance, plus any other fees and charges due.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**12 Mortgage Loan Sales. (Continued)**

On August 30, 2017, the Organization entered into an agreement to sell three of its mortgage loans to a financial institution for approximately \$390,708. At the time of the sale, the mortgage loans had an aggregate outstanding principal balance of \$434,120 and an unamortized discount of \$253,227. Under the terms of the agreement, the Organization will continue servicing the mortgage loans, including both principal payments and escrow. In the event any of the loans sold to the financial institution become greater than 90 days delinquent with respect to principal payments due under the loan, the Organization agrees to provide a qualifying substitute loan to the financial institution or repurchase the loan(s) at a price equal to the outstanding principal balance, plus any other fees and charges due.

On February 1, 2018, the Organization entered into an agreement to sell two of its mortgage loans to a financial institution for \$303,931. At the time of the sale, the mortgage loans had an aggregate outstanding principal balance of \$337,701 and an unamortized discount of \$182,335. Under the terms of the agreement, the Organization will continue servicing the mortgage loans, including both principal payments and escrow. In the event any of the loans sold to the financial institution become greater than 90 days delinquent with respect to principal payments due under the loan, the Organization agrees to provide a qualifying substitute loan to the financial institution or repurchase the loan(s) at a price equal to the outstanding principal balance, plus any other fees and charges due.

On July 24, 2017, the Organization entered into an agreement to sell one of its mortgage loans to the Colorado Housing and Finance Authority (CHFA) for \$137,205. At the time of the sale, the mortgage loan had an aggregate outstanding principal balance of \$137,205 and an unamortized discount of \$76,358. Under the terms of the agreement, the Organization will continue servicing the mortgage loans, including both principal payments and escrow. In the event any of the loans sold to CHFA become greater than 90 days delinquent with respect to principal payments due under the loan, the Organization agrees to provide a qualifying substitute loan to the financial institution or repurchase the loan(s) at a price equal to the outstanding principal balance, plus any other fees and charges due.

For the years ended June 30, 2018 and 2017, respectively, the Organization recognized a gain of \$434,738 and \$445,879 on the mortgage loans sold.

**FORT COLLINS HABITAT FOR HUMANITY, INC.**

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**13 Sale of Undeveloped Land and Subsequent Repurchase.**

On September 9, 2015, the Organization sold a parcel of undeveloped land to an unrelated third party (the "Buyer"), at a price below fair market value. The intent of this transaction is that the Buyer will develop the land and sell it back to the Organization at a minimal markup.

On December 19, 2016, the Organization repurchased 20 of the developed lots from the Buyer at the appraised value of \$1,361,802. Additionally, on August 25, 2017, the Organization purchased two additional developed lots from the Buyer at the appraised value of \$136,507.

On July 27, 2018, the Organization repurchased eight of the developed lots from the Buyer at the appraised value of \$544,000. The transaction was financed with \$184,000 in cash from the Organization and \$360,000 in funding provided by the City of Fort Collins.

On November 1, 2018 and October 1, 2018, the Organization repurchased the remaining 18 lots held by the Buyer for \$1,408,000. The transaction was financed by assuming the remaining eleven promissory notes held by the buyer, totaling \$930,000, and an additional \$478,000 in funding from five of the promissory note holders. All of the notes bear interest at 4%, are secured by a first lien on the lots, and are to be repaid from the sale of existing mortgages and the Organization's fundraising efforts. All the notes are due September 30, 2021.