

Fort Collins Habitat for Humanity, Inc.

Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)





Independent Auditor's Report

Board of Directors
Fort Collins Habitat for Humanity, Inc.
Fort Collins, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Fort Collins Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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.

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. 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.

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, 2019, 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

We have previously audited Fort Collins Habitat for Humanity, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

December 30, 2019

Denver, Colorado

Fort Collins Habitat for Humanity, Inc.

Statements of Financial Position

June 30, 2019

(With Comparative Totals as of June 30, 2018)

	2019	2018
Assets:		
Cash	\$ 1,002,555	\$ 271,447
Inventory - ReStore	7,420	-
Land and Construction-in-Progress	3,925,239	2,097,601
Mortgages Receivable - Net of Discount to Net Present Value	424,793	517,073
Contributions and Grants Receivable	255,403	64,856
Prepaid Expenses and Deposits	74,345	57,252
Property and Equipment - Net	285,013	284,656
TOTAL ASSETS	\$ 5,974,768	\$ 3,292,885
Liabilities:		
Accounts Payable	\$ 150,601	\$ 105,972
Accrued Liabilities	70,652	62,034
Deferred Revenue	43,800	-
Forgivable Notes Payable	580,000	380,000
Line-of-Credit	100,000	-
Notes Payable	1,623,447	225,620
Total Liabilities	2,568,500	773,626
Net Assets:		
Without Donor Restrictions	2,823,256	2,363,719
With Donor Restrictions	583,012	155,540
Total Net Assets	3,406,268	2,519,259
TOTAL LIABILITIES AND NET ASSETS	\$ 5,974,768	\$ 3,292,885

See accompanying notes to financial statements.

Fort Collins Habitat for Humanity, Inc.
Statements of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenues and Support				
Operating Revenue:				
Sales to Homeowners	\$ 898,500	\$ -	\$ 898,500	\$ 859,881
ReStore Revenue	732,952	-	732,952	765,425
Mortgage Discount Amortization	57,129	-	57,129	106,343
Gain on Sale of Mortgages Receivable	491,815	-	491,815	434,738
Proceeds from Forgivable Mortgages	6,731	-	6,731	58,340
Miscellaneous Income	9,488	-	9,488	13,177
Total Operating Revenue	2,196,615	-	2,196,615	2,237,904
Support:				
Contributions and Grants	1,038,264	908,978	1,947,242	685,105
Forgiveness of Forgivable Notes Payable	160,000	-	160,000	250,000
Special Events - Net	73,016	-	73,016	40,989
Net Assets Released from Restrictions	481,506	(481,506)	-	-
Total Support	1,752,786	427,472	2,180,258	976,094
Total Revenues and Support	3,949,401	427,472	4,376,873	3,213,998
Expenses				
Program Services:				
Home Construction	2,144,225	-	2,144,225	2,308,706
ReStore	776,078	-	776,078	755,710
Total Program Services	2,920,303	-	2,920,303	3,064,416
Support Services:				
Management and General	157,764	-	157,764	156,523
Fundraising	411,797	-	411,797	308,175
Total Support Services	569,561	-	569,561	464,698
Total Expenses	3,489,864	-	3,489,864	3,529,114
Change in Net Assets	459,537	427,472	887,009	(315,116)
Net Assets - Beginning of Year	2,363,719	155,540	2,519,259	2,834,375
NET ASSETS - END OF YEAR	\$ 2,823,256	\$ 583,012	\$ 3,406,268	\$ 2,519,259

See accompanying notes to financial statements.

Fort Collins Habitat for Humanity, Inc.

Statements of Functional Expenses

For the Year Ended June 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	PROGRAM SERVICES		SUPPORTING SERVICES		Total 2019	Total 2018
	Home Construction	ReStore	Management and General	Fundraising		
Expenses						
Advertising, Printing, and Publication	\$ 3,941	\$ 11,781	\$ 1,877	\$ 3,565	\$ 21,164	\$ 29,896
Bank and Credit Card Fees	698	13,168	333	632	14,831	15,526
Computer Expenses	9,250	16,452	4,404	8,368	38,474	26,312
Conferences, Meals, and Entertainment	17,798	89	8,475	16,103	42,465	24,880
Contract Labor	2,780	2,485	1,324	2,516	9,105	58,395
Construction Costs	1,217,832	-	-	-	1,217,832	1,473,624
Cost of Direct Benefit to Donors	-	-	-	33,169	33,169	30,670
Depreciation and Amortization	7,062	4,103	3,363	6,390	20,918	17,467
Discount on Mortgages	524,299	-	-	-	524,299	484,596
Dues and Subscriptions	2,672	3,463	1,272	2,417	9,824	6,006
Employee Benefits	15,880	38,346	8,143	15,472	77,841	72,017
Fundraising Campaign Expense	-	50	-	110,545	110,595	30,670
Insurance	4,150	19,982	1,976	3,755	29,863	27,617
Interest	32,724	798	2,408	4,575	40,505	12,156
Land Expenses	1,563	-	-	-	1,563	13
Miscellaneous	3,439	6,545	1,637	3,111	14,732	17,876
Mortgage Servicing	9,487	-	-	-	9,487	8,504
Office Expenses	10,448	-	4,975	9,452	24,875	25,685
Payroll Taxes	14,056	25,953	7,208	13,695	60,912	67,420
Professional Fees	6,888	-	3,280	6,232	16,400	11,104
Property Taxes	6,596	-	3,140	5,968	15,704	2,716
Purchased Goods	-	53,545	-	-	53,545	51,611
Rent	-	121,443	-	-	121,443	124,246
Repairs and Maintenance	404	930	196	370	1,900	13,668
Repair of Resale Vehicles	-	61,990	-	-	61,990	62,516
Salaries	196,380	355,530	99,767	191,058	842,735	760,102
Telephone and Utilities	8,370	33,103	3,986	7,573	53,032	43,946
Tithe	47,508	-	-	-	47,508	46,000
Vehicle Expenses	-	6,322	-	-	6,322	14,545
Total Expenses by Function	2,144,225	776,078	157,764	444,966	3,523,033	3,559,784
Less: Expenses Included with Revenues on the Statements of Activities						
Cost of Direct Benefit to Donors	-	-	-	(33,169)	(33,169)	(30,670)
Total Expenses Included in the Expense Section on the Statements of Activities	\$ 2,144,225	\$ 776,078	\$ 157,764	\$ 411,797	\$ 3,489,864	\$ 3,529,114

See accompanying notes to financial statements.

Fort Collins Habitat for Humanity, Inc.
Statements of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
Change in Net Assets	\$ 887,009	\$ (315,116)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows		
From Operating Activities:		
Depreciation and Amortization	20,918	17,467
Mortgage Loans Issued - Net of Discount to Net Present Value	(367,774)	(370,286)
Mortgage Discount Amortization	(57,129)	(106,343)
(Gain) on Sale of Mortgages Receivable	(491,815)	(434,738)
(Gain) on Sale of Property and Equipment	-	(1,290)
Forgiveness of Forgivable Notes Payable	(160,000)	(250,000)
Changes in Operating Assets and Liabilities:		
Inventory - Restore	(7,420)	-
Land and Construction-in-Progress	(897,638)	123,030
Contributions and Grants Receivable	(190,547)	82,604
Prepaid Expenses and Deposits	(17,093)	9,984
Accounts Payable	44,629	30,437
Deferred Revenue	43,800	-
Accrued Liabilities	8,618	(2,477)
Net Cash Flows From Operating Activities	(1,184,442)	(1,216,728)
Cash Flows From Investing Activities:		
(Purchase of) Property and Equipment	(21,275)	(10,218)
Proceeds from Sale of Property and Equipment	-	9,819
Proceeds from Sales of Mortgages	902,316	831,844
Mortgage Payments Received	106,682	185,536
Net Cash Flows From Investing Activities	987,723	1,016,981
Cash Flows From Financing Activities:		
(Repayment of) Notes Payable	(210,687)	(15,338)
Proceeds from Notes Payable	678,514	-
Proceeds from Line-of-Credit	100,000	-
Proceeds from Forgivable Notes Payable	360,000	-
Net Cash Flows From Financing Activities	927,827	(15,338)
Net Change in Cash	731,108	(215,085)
Cash - Beginning of Year	271,447	486,532
Cash - End of Year	\$ 1,002,555	\$ 271,447
Supplemental Disclosure:		
Interest Paid	\$ 40,505	\$ 12,156
Noncash Investing and Financing Activities:		
Land, Property and Equipment Purchased with Notes Payable	\$ 930,000	\$ 18,502

See accompanying notes to financial statements.

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 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.

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. 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.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

Income Tax Status

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. 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).

Accounting standards require the Organization to recognize in the financial statements the impact of uncertain tax positions based on the specific guidance in the standards. Management evaluated the Organization's tax position and concluded that no uncertain tax positions exist as of June 30, 2019 and 2018.

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2018, from which the summarized information was derived.

Use of Estimates

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

Fair Value of Financial Instruments

The Organization's financial instruments include cash, 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.

Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

Land and Construction-in-Progress

Land and construction-in-progress consists of land held for future development and home construction in progress. All land, material, and personnel costs incurred in constructing a home are capitalized. These costs include donated goods and services associated with the individual project. These accumulated costs are not subject to depreciation.

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 1: Summary of Significant Accounting Policies (Continued)

Inventory - ReStore

ReStore inventory consists of goods purchased and held for sale at the ReStore. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable cost of completion, disposal, and transportation. Items donated to the ReStore are not included in these financial statements as donated goods are recognized at the time of sale.

Mortgages Receivable

The Organization constructs homes to be sold with interest-free mortgages. These mortgages are discounted based upon the prevailing market interest rates at the inception of the mortgage. 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 discounts are charged directly to operations at the inception of the mortgage and amortized over the life of the mortgage.

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. Useful lives range from 3 to 39 years.

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, 2019 and 2018.

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 is included in accrued liabilities and consists of escrow shortages as reported by the third-party administrator.

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue represents funding received for events that will take place in a future period.

Revenue Recognition and Support

The Organization records unconditional contributions in accordance with the requirements of Generally Accepted Accounting Principles (GAAP) for Not-for-Profit Organizations. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements 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.

Sales to homeowners are recognized at the time the loan is funded to the borrower.

ReStore revenue is recognized at the point of sale.

Donated Services and Goods

Donated services are recognized as contributions in accordance with GAAP 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. During the years ended June 30, 2019 and 2018, the Organization received and recognized no donated professional services. Volunteers also provided assistance with specific programs and fund-raising events throughout the year that were not recognized as contributions in the financial statements because the recognition criteria was 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 \$37,044 and \$51,960, for the years ended June 30, 2019 and 2018, respectively.

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expense by function. Certain costs have been allocated among the program, management and general, and fundraising categories based on estimates of time spent by personnel and other methods.

Advertising

The Organization uses advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$21,164 and \$29,896, respectively, for the years ended June 30, 2019 and 2018.

Contributions and Grants Receivable

Contributions and grants receivable represent written or oral agreements to contribute cash or other assets to the Organization. At June 30, 2019 and 2018, management deemed all contributions and grants receivable to be fully collectible; accordingly, no allowance for uncollectible contributions and grants was required. As of June 30, 2019 and 2018, \$209,403 and \$64,856, respectively, of contributions and grants receivable are due within one year and \$46,000 and \$-0-, respectively, are due from one to five years.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, and netting of investment expenses with return, among other changes. The guidance in this ASU was adopted effective July 1, 2018, and was applied retrospectively to these financial statements, with the exception of certain omissions permitted by the ASU.

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 1: Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In May 2014, FASB issued 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 impact of the provisions of ASC 606 on the Organization's financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize on the balance sheet a right-to-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, 2020. Early adoption is permitted. The amendments in this update should be applied using a modified retrospective approach. The Organization is currently evaluating the effect that ASU 2016-02 will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

Reclassification

Certain amounts as previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

In preparing its financial statements, the Organization has evaluated subsequent events through December 30, 2019, which is the date the financial statements were available to be issued. Management of the Organization has not identified any subsequent events requiring disclosure

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>As of June 30,</i>	2019	2018
Cash	\$ 1,002,555	\$ 271,447
Contributions and Grants Receivable - Current	209,403	64,856
Mortgages Receivable - Current	66,502	76,480
Total Financial Assets	1,278,460	412,783
Less: Restricted Program Contributions Included in Cash	327,609	90,684
Total Financial Assets Available for General Expenditure	\$ 950,851	\$ 322,099

The Organization does not have a formal liquidity policy. The Organization invests its financial assets in a manner consistent with the concept of prudent money management, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization has one line-of-credit available for cash flow needs up to \$200,000, as further described in Note 9.

Note 3: Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to credit risk consist of cash and mortgage notes receivable. Cash accounts are guaranteed by the FDIC up to \$250,000. The Organization reduces credit risk by placing its cash with creditworthy, high-quality financial institutions. At various times during the fiscal year, the Organization's cash balances exceeded the Federally insured limits. The Organization has never experienced any losses related to these balances. Mortgage receivables are collateralized by the underlying property.

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 4: Mortgages Receivable

The following is a summary of mortgages receivable:

<i>As of June 30,</i>	2019	2018
Mortgages Receivable at Face Value	\$ 865,326	\$ 1,084,166
Less: Discount to Net Present Value	(440,533)	(567,093)
Net Mortgages Receivable	424,793	517,073
Less: Current Portion - Net of Discount to Net Present Value	(27,650)	(32,291)
Long-Term Portion - Net of Discount to Net Present Value	\$ 397,143	\$ 484,782

During the years ended June 30, 2019 and 2018, the Organization funded four and five new mortgages totaling \$892,071 and \$854,882, respectively. When the mortgage is funded, the discount to net present value is calculated and expensed. At June 30, 2019 and 2018, the Organization had 14 and 16 outstanding mortgage receivables, respectively, with applicable discount rates ranging from 7.47% to 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.

Note 5: Land and Construction-in-Progress

The following is a summary of inventory:

<i>As of June 30,</i>	2019	2018
Construction-in-Progress	\$ 812,876	\$ 665,238
Land Held for Future Development	3,112,363	1,432,363
Total Land and Construction-in-Progress	\$ 3,925,239	\$ 2,097,601

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 6: Property and Equipment

Property and equipment, net of accumulated depreciation, consisted of the following:

<i>As of June 30,</i>	2019	2018
Land	\$ 41,096	\$ 41,096
Building	202,796	202,548
Office Equipment	9,224	-
Construction Equipment	3,678	7,097
Vehicles	28,219	33,915
Property and Equipment - Net	\$ 285,013	\$ 284,656

Depreciation and amortization expense charged to operations for the years ended June 30, 2019 and 2018, was \$20,918 and \$17,467, respectively.

Note 7: Notes Payable

The following is a summary of the notes payable:

<i>As of June 30,</i>	2019	2018
Harmony Cottages, lot loans (11 notes all due at maturity on September 30, 2021; interest at 4%, paid quarterly; secured by a first lien on the lots)	\$ 1,408,000	\$ -
Independent Bank, formerly Guaranty Bank and Trust Company, note refinanced the existing debt held by bank (payable in monthly installments of \$1,499, including interest at 5%, matures in June 2029; secured by real estate)	200,255	207,389
Ally Bank (payable in monthly installments of \$352, including interest at 5.24%; matures in June 2023; secured by a vehicle)	15,192	18,231
	1,623,447	225,620
Less: Current Maturities	11,991	10,727
Notes Payable - Due After One Year	\$ 1,611,456	\$ 214,893

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 7: Notes Payable (Continued)

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

2020	\$	11,991
2021		12,316
2022		1,420,955
2023		13,616
2024		10,010
Thereafter		154,559
		<hr/>
	\$	1,623,447

Note 8: Forgivable Notes Payable

Forgivable notes payable consists of the following:

<i>As of June 30,</i>	2019	2018
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.)	\$ 580,000	\$ 380,000

Note 9: Line-of-Credit

The Organization has entered into a \$200,000 revolving line-of-credit agreement with Independent Bank, formerly Guaranty Bank and Trust Company. The line bears interest at the Wall Street Journal prime rate (5.5% at June 30, 2019), matures on January 5, 2020, and is secured by substantially all of the assets of the Organization. At June 30, 2019 and 2018, the outstanding balance on this line-of-credit was \$100,000 and \$0-, respectively.

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 10: Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of the following:

<i>As of June 30,</i>	2019	2018
Subject to the Passage of Time:		
Contributions and Grants Receivable	\$ 255,403	\$ 64,856
Subject to Expenditure for Specified Purpose:		
Home Sponsorships	327,609	90,684
Total Net Assets with Donor Restrictions	\$ 583,012	\$ 155,540

Net assets totaling \$481,506 and \$529,987 were released from restrictions during the years ended June 30, 2019 and 2018, respectively, as a result of the Organization incurring expenditures satisfying the related donor restricted purpose.

Note 11: Operating Leases

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:

2020	\$ 97,563
2021	100,188
2022	102,813
2023	105,438
2024	108,063
Thereafter	204,748
	\$ 718,813

Rent expense for the years ended June 30, 2019 and 2018, was \$121,443 and \$124,246, respectively.

Note 12: Transactions with Affiliates

The Organization voluntarily remits a portion of its contributions to Habitat for Humanity International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2019 and 2018, \$47,508 and \$46,000 were contributed, respectively, to Habitat for Humanity International. These amounts are included in Program Services in the Statements of Activities.

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

Fort Collins Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2019

(With Comparative Totals for June 30, 2018)

Note 13: Mortgage Loan Sales

During the years ended June 30, 2019 and 2018, the Organization sold five of its mortgage loans each year to a financial institution for \$902,316 and \$694,639, respectively. At the time of the sale, the mortgage loans had an aggregate outstanding principal balance of \$1,002,664 and \$771,821, respectively, and an unamortized discount of \$592,163 and \$435,562, respectively.

In July 2017, the Organization sold 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 agreements with the financial institution and CHFA, the Organization will continue servicing any mortgage loans sold to these companies, including both principal payments and escrow. In the event the loans sold 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 CHFA 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, 2019 and 2018, the Organization recognized a gain of \$491,815 and \$434,738, respectively, on the mortgage loans sold.

Note 14: Sale of Undeveloped Land and Subsequent Repurchase

In September 2015, the Organization sold a parcel of undeveloped land to an unrelated third party (the "Buyer"), at a price below fair market value with the intent that the Buyer would 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 October 1 and November 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.