



## FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017



## TABLE OF CONTENTS

---

Independent Auditors' Report.....	2
STATEMENTS OF FINANCIAL POSITION.....	4
STATEMENTS OF ACTIVITIES .....	6
STATEMENTS OF FUNCTIONAL EXPENSES .....	8
STATEMENTS OF CASH FLOWS .....	10
NOTES TO FINANCIAL STATEMENTS.....	12

---



## Independent Auditors' Report

Board of Directors  
Greeley Area Habitat for Humanity, Inc.  
dba Greeley-Weld Habitat for Humanity  
Greeley, Colorado

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of Greeley Area Habitat for Humanity, Inc., dba Greeley-Weld Habitat for Humanity, Inc., a Colorado nonprofit corporation, as of June 30, 2018 and 2017, and the related statements of activities, functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 Greeley Area Habitat for Humanity, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, Greeley Area Habitat for Humanity, Inc. has elected to change its method of accounting for donated inventory as of June 30, 2018. Our opinion is not modified with respect to this matter.

*Anderson & Whitney, P.C.*

January 11, 2019

**GREELEY AREA HABITAT FOR HUMANITY, INC.**

**dba GREELEY-WELD HABITAT FOR HUMANITY**

**STATEMENTS OF FINANCIAL POSITION**

June 30	2018	2017
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,215,008	\$ 1,199,008
Restricted cash:		
Homeowners escrow accounts	13,163	19,390
Habitat North HOA	22,519	12,335
Gift cards	3,008	8
Receivables:		
Current portion of mortgages, net of discount	124,876	116,694
Grants and other	10,176	41,436
ReStore inventory	79,749	17,686
Homes under construction	215,201	168,629
Total Current Assets	1,683,700	1,575,186
Property and Equipment:		
Land and land improvements - Habitat North HOA	142,207	142,207
Land - Resource Center	24,289	24,289
Building - Resource Center	135,133	135,133
ReStore equipment and fixtures	101,981	101,981
Equipment and vehicles	54,553	40,988
	458,163	444,598
Less: Accumulated Depreciation	224,814	215,593
Total Property and Equipment	233,349	229,005
Other Assets:		
Mortgages receivable, net of discount and current portion	2,372,643	2,217,194
Land development costs (Crestview)	336,690	452,856
Other assets	29,161	29,161
Security deposit	5,000	5,000
Total Other Assets	2,743,494	2,704,211
<b>TOTAL ASSETS</b>	<b>\$ 4,660,543</b>	<b>\$ 4,508,402</b>

Continued on next page.

**GREELEY AREA HABITAT FOR HUMANITY, INC.**

**dba GREELEY-WELD HABITAT FOR HUMANITY**

**STATEMENTS OF FINANCIAL POSITION - Continued**

June 30	2018	2017
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 35,979	\$ 35,346
Escrow accounts homeowners	8,834	16,512
Payroll and other liabilities	52,255	38,462
Accrued warranty liability	4,000	6,000
Deposit for computers	570	570
Total Current Liabilities	101,638	96,890
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	1,218,063	875,543
Investment in mortgages receivable	2,497,519	2,333,888
Board designated	733,323	1,136,491
Temporarily Restricted	110,000	65,590
Total Net Assets	4,558,905	4,411,512
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,660,543</b>	<b>\$ 4,508,402</b>

See Accompanying Notes to Financial Statements.

**GREELEY AREA HABITAT FOR HUMANITY, INC.****dba GREELEY-WELD HABITAT FOR HUMANITY****STATEMENTS OF ACTIVITIES**

Years Ended June 30	2018		
	Unrestricted	Temporarily Restricted	Total
Revenue:			
Home sales	\$ 856,868	\$ -	\$ 856,868
Mortgage discount amortization	91,438	-	91,438
Gain on sale of mortgages	39,757	-	39,757
ReStore sales	722,705	-	722,705
Contributions:			
Corporate	66,676	60,000	126,676
Individual	99,084	-	99,084
Foundations	26,868	50,000	76,868
Churches	31,347	-	31,347
Civic groups	7,000	-	7,000
Donated construction materials and services	48,801	-	48,801
Donated inventory	57,876	-	57,876
Special events	101,666	-	101,666
Grants	277,168	-	277,168
Net assets released from restrictions	65,590	(65,590)	-
Total Revenue	2,492,844	44,410	2,537,254
Expenses:			
Home construction	1,488,636	-	1,488,636
Family support	64,696	-	64,696
ReStore	505,427	-	505,427
Fund raising	110,566	-	110,566
Management and general	258,307	-	258,307
Total Expenses	2,427,632	-	2,427,632
Change in Net Assets from Operations	65,212	44,410	109,622
Other Income and Expense:			
Oil and gas royalties	21,514	-	21,514
Miscellaneous	6,282	-	6,282
Homeowners' Association, net	8,675	-	8,675
Gain (loss) on disposal of property and equipment	1,300	-	1,300
Total Other Income and Expense, Net	37,771	-	37,771
Change in Net Assets	102,983	44,410	147,393
Net Assets, Beginning of Year	4,345,922	65,590	4,411,512
Net Assets, End of Year	\$4,448,905	\$ 110,000	4,558,905

See Accompanying Notes to Financial Statements.

2017		
Unrestricted	Temporarily Restricted	Total
\$ 925,709	\$ -	\$ 925,709
93,907	-	93,907
269,963	-	269,963
510,116	-	510,116
118,052	-	118,052
32,129	-	32,129
49,710	65,590	115,300
58,800	-	58,800
4,000	-	4,000
130,846	-	130,846
-	-	-
56,527	-	56,527
183,275	-	183,275
149,121	(149,121)	-
2,582,155	(83,531)	2,498,624
1,450,558	-	1,450,558
60,119	-	60,119
459,163	-	459,163
80,191	-	80,191
221,650	-	221,650
2,271,681	-	2,271,681
310,474	(83,531)	226,943
38,304	-	38,304
4,191	-	4,191
689	-	689
-	-	-
43,184	-	43,184
353,658	(83,531)	270,127
3,992,264	149,121	4,141,385
\$4,345,922	\$ 65,590	\$4,411,512



# GREELEY AREA HABITAT FOR HUMANITY, INC.

## dba GREELEY-WELD HABITAT FOR HUMANITY

### STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30	2018					
	Home Construction	Family Support	ReStore	Fund Raising	Management and General	Total
<b>Personnel Costs:</b>						
Salaries and wages	\$ 95,465	\$ 48,000	\$ 260,776	\$ 71,109	\$ 141,216	\$ 616,566
Employee fringe benefits	17,315	5,744	24,617	6,171	18,448	72,295
Payroll taxes	7,737	3,533	21,304	5,437	7,606	45,617
<b>Total Personnel Costs</b>	<b>120,517</b>	<b>57,277</b>	<b>306,697</b>	<b>82,717</b>	<b>167,270</b>	<b>734,478</b>
Advertising	-	-	10,525	-	14,768	25,293
Discounts on mortgages issued	497,569	-	-	-	-	497,569
Board meetings	-	-	-	-	485	485
Cost of homes transferred to homeowners	834,878	-	-	-	-	834,878
Credit card processing	-	-	10,355	-	-	10,355
Depreciation	-	2,703	2,459	-	12,158	17,320
Dues	-	-	-	-	18,145	18,145
Food and amenities	3,352	-	807	766	483	5,408
Grant application fees	-	-	-	6,600	-	6,600
Insurance	8,388	-	11,065	-	2,292	21,745
Office supplies	-	1,272	9,855	1,014	7,260	19,401
Other costs	-	333	146	2,748	3,263	6,490
Special Events	-	-	-	12,055	-	12,055
Postage	-	-	-	4,101	-	4,101
Printing	-	2,241	-	-	-	2,241
Professional fees	-	-	-	-	20,559	20,559
Purchased inventory sold	-	-	72,397	-	-	72,397
Rent	-	-	41,184	-	-	41,184
Repair and maintenance	-	-	11,966	-	1,466	13,432
Dues paid to HOA	4,110	-	-	-	-	4,110
Telephone	-	-	6,299	-	4,565	10,864
Tithe - Habitat International	12,216	-	-	-	-	12,216
Training and education	-	870	-	565	944	2,379
Utilities and trash removal	-	-	9,773	-	4,477	14,250
Vehicle expenses	9,499	-	11,899	-	172	21,570
Warranty costs	(1,893)	-	-	-	-	(1,893)
	<b>\$ 1,488,636</b>	<b>\$ 64,696</b>	<b>\$ 505,427</b>	<b>\$ 110,566</b>	<b>\$ 258,307</b>	<b>\$ 2,427,632</b>
Percentage of total expenses	61.3%	2.7%	20.8%	4.6%	10.6%	100%

Continued on next page.

**GREELEY AREA HABITAT FOR HUMANITY, INC.**

**dba GREELEY-WELD HABITAT FOR HUMANITY**

**STATEMENTS OF FUNCTIONAL EXPENSES - Continued**

Year Ended June 30	2017						Total
	Home Construction	Family Support	ReStore	Fund Raising	Management and General		
<b>Personnel Costs:</b>							
Salaries and wages	\$ 89,202	\$ 42,868	\$ 226,289	\$ 40,790	\$ 123,346	\$ 522,495	
Employee fringe benefits	17,028	6,115	16,951	4,515	13,962	58,571	
Payroll taxes	7,654	4,151	17,437	3,330	10,246	42,818	
<b>Total Personnel Costs</b>	<b>113,884</b>	<b>53,134</b>	<b>260,677</b>	<b>48,635</b>	<b>147,554</b>	<b>623,884</b>	
Advertising	-	-	6,938	-	3,830	10,768	
Discounts on mortgages issued	377,668	-	-	-	-	377,668	
Board meetings	-	-	-	-	897	897	
Cost of homes transferred to homeowners	925,686	-	-	-	-	925,686	
Credit card processing	-	-	8,484	-	-	8,484	
Depreciation	-	2,703	2,156	-	9,917	14,776	
Dues	-	-	-	-	19,339	19,339	
Food and amenities	5,277	-	1,211	313	10	6,811	
Grant application fees	-	-	-	11,897	-	11,897	
Insurance	8,087	-	10,510	-	2,526	21,123	
Office supplies	-	1,557	14,972	1,370	8,731	26,630	
Other costs	-	518	-	1,429	1,051	2,998	
Special events	-	-	-	10,115	-	10,115	
Postage	-	-	-	5,441	-	5,441	
Printing	-	2,207	-	-	-	2,207	
Professional fees	-	-	-	-	18,617	18,617	
Purchased inventory sold	-	-	59,151	-	-	59,151	
Rent	-	-	41,184	-	-	41,184	
Repair and maintenance	-	-	25,478	-	1,025	26,503	
Dues paid to HOA	420	-	-	-	-	420	
Telephone	-	-	5,871	-	3,786	9,657	
Tithe - Habitat International	10,605	-	-	-	-	10,605	
Training and education	-	-	-	991	581	1,572	
Utilities and trash removal	-	-	8,094	-	3,786	11,880	
Vehicle expenses	8,113	-	14,437	-	-	22,550	
Warranty costs	818	-	-	-	-	818	
	<b>\$1,450,558</b>	<b>\$ 60,119</b>	<b>\$ 459,163</b>	<b>\$ 80,191</b>	<b>\$ 221,650</b>	<b>\$2,271,681</b>	
Percentage of total expenses	63.9%	2.6%	20.2%	3.5%	9.8%	100%	

See Accompanying Notes to Financial Statements.

**GREELEY AREA HABITAT FOR HUMANITY, INC.****dba GREELEY-WELD HABITAT FOR HUMANITY****STATEMENTS OF CASH FLOWS**

Years Ended June 30	2018	2017
Cash Flows from Operating Activities:		
Cash received from contributions, grants, and other funding sources	\$ 1,493,670	\$ 1,189,032
Cash paid to employees and suppliers	(1,786,109)	(1,561,612)
Interest received	1,940	261
Interest paid	-	-
Net Cash Used by Operating Activities	(290,499)	(372,319)
Cash Flows from Investing Activities:		
Payments received on mortgages receivable	229,325	234,768
Proceeds from sale of mortgages receivable	97,538	818,167
Acquisition of property, equipment and vehicles	(20,364)	-
Additional land development costs (Crestview)	-	(363,691)
Net Cash Provided by Investing Activities	306,499	689,244
Cash Flows from Financing Activities	-	-
Net Increase in Cash	16,000	316,925
Cash, Beginning of Year	1,199,008	882,083
Cash, End of Year	\$ 1,215,008	\$ 1,199,008

Continued on next page.

**GREELEY AREA HABITAT FOR HUMANITY, INC.****dba GREELEY-WELD HABITAT FOR HUMANITY****STATEMENTS OF CASH FLOWS - Continued**

Years Ended June 30	2018	2017
Reconciliation of Change in Net Assets to Net Cash from Operating Activities:		
Change in net assets	\$ 147,393	\$ 270,127
Adjustments:		
Depreciation	17,320	14,776
New mortgages transferred to homeowners, net of discount	(359,299)	(548,041)
Amortization of mortgage discounts	(91,438)	(93,907)
Gain on disposal of asset	(1,300)	-
Gain on sale of mortgage receivable	(39,757)	(269,963)
Donated equipment	-	(5,190)
(Increase) decrease in:		
Restricted cash	(6,957)	(4,252)
ReStore inventory	(62,063)	(11,397)
Grants receivable	31,260	74,793
Construction in progress	(46,572)	138,104
Land development costs (North)	116,166	77,050
Increase (decrease) in:		
Accounts payable	633	6,799
Accrued expenses	13,793	(18,586)
Accrued warranty liability	(2,000)	-
Deferred grant revenue	-	(10,000)
Escrow accounts	(7,678)	7,368
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (290,499)</b>	<b>\$ (372,319)</b>
Noncash Financing and Investing Activities:		
Mortgage notes issued at time of home transfer	\$ 856,868	\$ 925,709
Discounts on new mortgages issued	(497,569)	(377,668)

See Accompanying Notes to Financial Statements.

# **GREELEY AREA HABITAT FOR HUMANITY, INC.**

## **dba GREELEY-WELD HABITAT FOR HUMANITY**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **NOTE 1 – Summary of Significant Accounting Policies:**

The accounting and reporting policies of Greeley Area Habitat for Humanity, Inc. dba Greeley-Weld Habitat for Humanity (Greeley-Weld Habitat) conform to accounting principles generally accepted in the United States. The following summary of significant accounting policies is presented to assist the reader in evaluating Greeley-Weld Habitat's financial statements.

---

#### **Organization and Purpose:**

Putting faith into action, Greeley-Weld Habitat brings people together to build decent homes and communities. In addition to home construction, Greeley-Weld Habitat fulfills this mission through the following programs:

Family Support is a set of programs and practices designed by Greeley-Weld Habitat that provide homeowners with procedures, support and skills necessary for purchasing a Habitat for Humanity home and becoming successful long-term homeowners.

ReStore is a retail operation that obtains donated merchandise related to home construction or renovation, which is then sold to the general public. The profit from ReStore operations provides general operating support to the overall organization.

---

#### **Basis of Presentation:**

The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenue is recorded when earned and expenses are recorded when materials or services are received. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets are subject to donor-imposed stipulations that may or will be met, either by actions of Greeley-Weld Habitat and/or the passage of time. Revenue that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized.

---

#### **Cash:**

For purposes of the statement of cash flows, Greeley-Weld Habitat considers cash to include all cash on hand and unrestricted demand bank deposits.

---

# **GREELEY AREA HABITAT FOR HUMANITY, INC.**

## **dba GREELEY-WELD HABITAT FOR HUMANITY**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **NOTE 1 – Summary of Significant Accounting Policies - Continued:**

##### Receivables:

Greeley-Weld Habitat currently considers grants and pledges receivable to be fully collectible. Thus, no allowance for doubtful accounts has been established. If management determines a receivable may be uncollectible, an allowance will be established to reduce the receivable to the amount expected to be received.

---

##### Mortgages Receivable:

Mortgages receivable are noninterest bearing and are reported net of a discount, which is amortized to reflect an effective market rate of interest over the life of the loan. Greeley-Weld Habitat determines a loan to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date.

A mortgage that becomes 90 days delinquent is evaluated for impairment. A mortgage is impaired when it is probable that Greeley-Weld Habitat will be unable to collect all payments due in accordance with the terms of the loan agreement. The discounted balance of an impaired loan is measured against the estimated fair value of the mortgaged property. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

The allowance for mortgage losses represents an amount which, in management's judgment, will be adequate to absorb probable losses on existing mortgages that may become uncollectible. Management's judgment in determining the adequacy of the allowance is based on evaluation of conditions that may affect the homeowner's ability to pay and the anticipated fair value of the mortgaged property if foreclosure becomes necessary.

---

##### Inventory:

Inventory represents items held for sale at the ReStore. Purchased inventory is stated at the lower of cost (first-in, first-out method) or net realizable value. Effective June 30, 2018, donated inventory on hand is recorded at the estimated net realizable value based upon subsequent sales and historical turnover in lieu of a physical count. Prior to June 30, 2018, the value of donated inventory was recorded as revenue and cost of sales at the time of resale.

---

##### Homes Under Construction:

Homes under construction are recorded at cost using the specific identification method. Cost includes purchased and donated materials and services.

---

# **GREELEY AREA HABITAT FOR HUMANITY, INC.**

## **dba GREELEY-WELD HABITAT FOR HUMANITY**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **NOTE 1 – Summary of Significant Accounting Policies - Continued:**

##### Property and Equipment:

Property and equipment are stated at acquisition cost. Donations of property and equipment are recorded at fair value on the date received. If donors stipulate how long assets must be used, the donations are recorded as restricted revenue. In the absence of such stipulations, donations of property are recorded as unrestricted revenue. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Self-constructed assets are reported as construction in progress until placed in service, at which time depreciation is initiated.

---

##### Land Development Costs:

Costs related to constructing the infrastructure for a housing development, including the cost of the undeveloped land, are reported as land development costs. As individual lots are sold, the proportional cost is expensed as a cost of the related home sale. The land development costs are assessed for impairment on at least an annual basis.

---

##### Contributions:

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

---

##### Grants:

Grant revenue is received from governmental and private sources. Reimbursable grants are recognized in revenue when the related expenses are incurred. Other grants are recognized in revenue once the conditions of the grant have been met. Unexpended grant funds, if any, are recorded as deferred revenue at the balance sheet date.

---

##### Donated Materials and Services:

Materials donated to the Home Construction program are valued at estimated fair value. Numerous volunteers donate significant time to program services and special event activities. Donated time that requires specific expertise and specialized skill, and which would have had to otherwise be purchased by the organization, is recorded in the financial statements. The value of other contributed time, while critical to program activities, is not reflected in the financial statements since it does not meet the accounting requirements.

---

# **GREELEY AREA HABITAT FOR HUMANITY, INC.**

## **dba GREELEY-WELD HABITAT FOR HUMANITY**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **NOTE 1 – Summary of Significant Accounting Policies - Continued:**

##### **Income Taxes:**

No income tax provision is made in these financial statements as Greeley-Weld Habitat qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, pursuant to a group exemption letter received from the Internal Revenue Service. However, income from activities not directly related to Greeley-Weld Habitat's exempt purposes is subject to taxation as unrelated business income.

Tax penalties and interest, if any, would be classified with income tax expense in the financial statements. No tax penalties or interest have been incurred or are recognized in these financial statements. Generally, three tax years remain subject to examination by tax jurisdictions.

---

##### **Functional Allocation of Expenses:**

The costs associated with Greeley-Weld Habitat's program and support services have been summarized in the statement of functional expenses. Costs have been allocated among the programs and supporting services benefited.

---

##### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted 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.

---

##### **Subsequent Events:**

Management has evaluated subsequent events through the date the financial statements were available for issuance, which is the same date as the auditors' report.

---

##### **Reclassifications:**

Certain 2017 amounts have been reclassified for comparison purposes with the 2018 financial statement presentation. The reclassifications had no effect on the change in net assets.

---

#### **NOTE 2 – Fair Value Disclosures:**

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents these assets by caption and by level within the valuation hierarchy as of June 30, 2018 and 2017:



**GREELEY AREA HABITAT FOR HUMANITY, INC.**  
**dba GREELEY-WELD HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – Fair Value Disclosures - Continued:**

Description	Total	Carrying Value		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2018</u>				
Impaired Mortgages	\$ 27,086	\$ --	\$ 27,086	\$ --
Development Land	336,690	--	336,690	--
<u>June 30, 2017</u>				
Impaired Mortgages	\$ 109,268	\$ --	\$ 109,268	\$ --
Development Land	452,856	--	452,856	--

Impaired mortgages are evaluated and valued at the time the mortgage is identified as impaired, at the lower of cost or fair value. Fair value is generally measured based on the estimated value of the homes securing these mortgages. Development land is evaluated based on assessed values determined by the local county assessor. Such values and assessments may be discounted or adjusted based on management’s historical knowledge, changes in market conditions and management’s expertise. Such discounts and adjustments can be significant and result in a level 2 classification of the inputs used for determining fair value.

**NOTE 3 – Mortgages Receivable:**

Greeley-Weld Habitat carries the mortgages on the homes they sell. The mortgages are non-interest bearing with monthly payments established based on the homeowner’s ability to pay. Mortgages are collateralized by a first deed of trust on each home. Repayment terms vary, but the loans are generally paid over 20 to 30 years. In addition to the first deed of trust filed on homes sold, Greeley-Weld Habitat also files additional liens for the difference between the fair market value of the home and the purchase price and for the portion of the homeowner’s down payment funded by the Federal Home Loan Bank. These liens are referred to as “silent liens” for the protection against homeowners who may sell their house for a profit before the mortgage is paid off. Since these silent liens represent a contingent receivable, they are not reported in these financial statements until realized. Mortgages receivable are discounted to reflect a market interest rate and assuming the mortgage payments continue according to the established payment terms. The unamortized discount on mortgages that are paid prior to maturity is reclassified to revenue upon payment in full.

**GREELEY AREA HABITAT FOR HUMANITY, INC.**  
**dba GREELEY-WELD HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – Mortgages Receivable - Continued:**

Mortgages receivable at June 30, 2018 and 2017 consisted of the following:

June 30	2018	2017
Mortgages receivable	\$ 4,455,624	\$ 3,930,968
Unamortized discount	(1,958,105)	(1,597,080)
Mortgages receivable, net	2,497,519	2,333,888
Current portion of mortgages receivable	(124,876)	(116,694)
Long term portion of mortgages receivable	\$ 2,372,643	\$ 2,217,194

At June 30, 2018 and 2017, there were two and six mortgages, respectively, that were delinquent more than 90 days. These mortgages had face amounts totaling \$44,845 and \$180,908 and discounted balances of \$27,086 and \$109,268, respectively. Management has determined that the fair value of the mortgaged properties exceeds the discounted balances of the mortgages at June 30, 2018 and 2017 and has therefore not established an estimated loss allowance for these mortgages.

**Loans Sold to CHFA:**

Since 2002 through June 30, 2018, Greeley-Weld Habitat transferred its interest in certain mortgages receivable to the Colorado Housing and Finance Authority (CHFA), receiving approximately \$2,540,000 in cumulative cash proceeds related to the transfers. At June 30, 2018, the balances of these mortgages, which are not reported in the accompanying financial statements, are estimated to be \$1,645,440.

During each of the years ended June 30, 2018 and 2017, Greeley-Weld Habitat sold its interest in one mortgage receivable to CHFA, receiving \$97,538 and \$97,436, respectively in cash proceeds. These transactions qualified to be recorded as sales in the accompanying financial statements, resulting in gains of \$39,757 and \$32,211, respectively. The mortgages are serviced by CHFA.

These mortgages to homeowners require Greeley-Weld Habitat to monitor the compliance of the payment terms as well as other conditions of the loan agreement. CHFA has recourse to Greeley-Weld Habitat for nonperformance by a homeowner with loan covenants which could result in exposure to loss for Greeley-Weld Habitat.

**Loans Sold to Bank:**

In June 2017, Greeley-Weld Habitat sold its interest in certain mortgages receivable to Guaranty Bank receiving \$720,757 in cash proceeds. This transaction qualified to be recorded as a sale in the accompanying financial statements, resulting in a gain of \$237,752. Greeley-Weld Habitat continues to service these loans on behalf of the Bank.

# GREELEY AREA HABITAT FOR HUMANITY, INC.

## dba GREELEY-WELD HABITAT FOR HUMANITY

### NOTES TO FINANCIAL STATEMENTS

---

#### NOTE 3 – Mortgages Receivable - Continued:

Loans Sold to Bank - continued:

In accordance with the sales agreement, should a mortgagor default on the payment of the loan and the default is not cured within 90 days, Greeley-Weld Habitat is required to perform one of the following within 30 days of the Bank's notice: substitute with a comparable performing loan, or repurchase the loan. No liability has been included in the financial statements for this substitution provision because management believes that the fair value of the mortgaged properties exceeds the associated mortgage balance. At June 30, 2018, the outstanding principal balance of the mortgages purchased by the Bank that are guaranteed and serviced by Greeley-Weld Habitat was \$762,554.

---

#### NOTE 4 – Line of Credit:

Greeley-Weld Habitat has a \$200,000 line of credit with U.S. Bank that matures in May 2019. Advances on the line of credit accrue interest at a variable daily tax-exempt interest rate equal to USB Prime plus 2.00% multiplied by 0.70741. The arrangement is collateralized by a deed of trust on real property located in Weld County, Colorado. There were no borrowings on the line of credit in fiscal years 2018 and 2017.

---

#### NOTE 5 – Operating Lease:

Greeley-Weld Habitat has a sub-lease arrangement for its ReStore location for which Greeley-Weld Habitat has exercised the renewal option through October 31, 2019. The lease arrangement requires monthly payments of \$3,432 through the remainder of the lease term. Greeley-Weld Habitat is also responsible for utility costs in excess of a base level, as defined in the agreement. Rent expense under this arrangement during both fiscal years 2018 and 2017 was \$41,184.

Future minimum payments by year under the non-cancellable operating lease consist of the following at June 30, 2018:

Year Ending June 30	Amount
2019	\$ 41,184
2020	13,728
	<hr/>
	\$ 54,912

Greeley-Weld Habitat has an oil and gas lease on land in the Habitat North Subdivision. The lease is a "No Surface Occupancy" arrangement as well as a paid-up lease with consideration received totaling \$10. Under the terms of the lease, Greeley-Weld Habitat is to receive royalties equal to 15% of production, less post-production costs and expenses. During the years ended June 30, 2018 and 2017, Greeley-Weld Habitat received royalties totaling \$28,514 and \$38,304, respectively.

---

# GREELEY AREA HABITAT FOR HUMANITY, INC.

## dba GREELEY-WELD HABITAT FOR HUMANITY

### NOTES TO FINANCIAL STATEMENTS

---

#### NOTE 6 – Net Assets:

The Greeley-Weld Habitat board of directors has designated a portion of the unrestricted net asset balance for the following purposes:

June 30	2018	2017
Operating expense reserve	\$ 110,954	\$ 109,203
ReStore operating reserve	243,823	105,601
Land development	275,000	637,193
Home construction	88,579	269,527
NSP construction	14,967	14,967
	<u>\$ 733,323</u>	<u>\$ 1,136,491</u>

As of June 30, 2018 and 2017, net assets totaling \$110,000 and \$65,590, respectively have been donor-restricted for building single-family residences.

---

#### NOTE 7 – Commitments, and Contingencies:

In 2018, Greeley-Weld Habitat was contacted by the lessor of the ReStore building claiming Greeley-Weld Habitat owed unpaid utilities pursuant to the terms of the Restore sublease. The claim has been disputed by Greeley-Weld Habitat and no further communications have been received from the Lessor. The eventual outcome of this matter cannot be determined at this time.

Since 1990, the City of Greeley Urban Renewal Authority (GURA) has provided funding for numerous Greeley-Weld Habitat home construction projects and developments. Some of the funding includes an affordability provision that requires Greeley-Weld Habitat to monitor subsequent sales of the homes for a period of roughly ten years. Subsequent sales that do not comply with the affordability provision may require Greeley-Weld Habitat to either exercise its first-right-of-refusal option to purchase the home, or to repay the related funding provided by GURA.

---

#### NOTE 8 – Retirement Plan:

Greeley-Weld Habitat maintains a simple IRA plan for all employees. Employees have the option of directing part of their pay into the plan. The employee deferral is matched equally by Greeley-Weld Habitat up to a maximum of 3% of the employee's annual salary. Greeley-Weld Habitat contributions for the years ended June 30, 2018 and 2017 were \$9,002 and \$11,132, respectively.

---

**GREELEY AREA HABITAT FOR HUMANITY, INC.**

**dba GREELEY-WELD HABITAT FOR HUMANITY**

**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 9 – Subsequent Events:**

In October 2018, Greeley-Weld Habitat was notified that the lessor of the Restore building has filed for Chapter 11 bankruptcy which may constitute a breach of Greeley-Weld Habitat's sublease. Greeley-Weld Habitat has been in contact with the building's owner and has reached an agreement that will allow Greeley-Weld Habitat to remain in the building until October 31, 2019.

In October 2018, Greeley-Weld Habitat purchased additional land for development. The land will allow for sixteen additional home sites and was purchased for \$265,000.

In November 2018, Greeley-Weld Habitat was awarded a grant of \$1,000,000 from Habitat for Humanity of Colorado to assist with the Mission Homestead project. The grant is funded by the Colorado Department of Local Affairs and will include up to 21 additional home sites.

---