

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

June 30, 2018



WIPFLi^{LLP}
CPAs and Consultants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity of La Plata County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of La Plata County, Inc. (a nonprofit organization), 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 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 Habitat for Humanity of La Plata County, 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

Habitat for Humanity of La Plata County, Inc.'s 2017 financial statements were audited by Bauerle and Company, P.C., who merged with Wipfli LLP as of February 1, 2018, and whose report dated September 25, 2017, expressed an unmodified opinion on those audited 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of Habitat for Humanity of La Plata County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity of La Plata County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of La Plata County, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP
Denver, Colorado

January 31, 2019

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018
(With Comparative Totals as of June 30, 2017)**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 219,490	\$ 146,697
Grants and Other Receivables	10,379	6,013
Current Portion of Mortgages Receivable - Net	18,907	22,710
Supplies and Other	3,127	2,024
Construction-in-Progress	<u>747,816</u>	<u>684,046</u>
Total Current Assets	<u>999,719</u>	<u>861,490</u>
PROPERTY AND EQUIPMENT - AT COST		
Land - Outlet Store	410,000	410,000
Construction-in-Progress - Outlet Store	814,302	29,545
Leasehold Improvements	65,360	65,360
Vehicles	48,559	48,559
Equipment and Furniture	<u>13,761</u>	<u>13,761</u>
	1,351,982	567,225
Less: Accumulated Depreciation	<u>127,009</u>	<u>122,544</u>
Property and Equipment - Net	<u>1,224,973</u>	<u>444,681</u>
LONG-TERM ASSETS		
Long-Term Portion of Mortgages Receivable - Net	<u>564,105</u>	<u>695,473</u>
TOTAL ASSETS	<u>\$ 2,788,797</u>	<u>\$ 2,001,644</u>

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

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2018

(With Comparative Totals as of June 30, 2017)

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 157,882	\$ 14,551
Current Portion of long-term debt	59,863	50,427
Accrued Payroll Liabilities	2,476	2,476
Other Accrued Liabilities	<u>2,437</u>	<u>2,388</u>
Total Current Liabilities	222,658	69,842
 LONG-TERM LIABILITIES		
Long-term debt, net of current portion	<u>976,974</u>	<u>485,785</u>
Total Liabilities	<u>1,199,632</u>	<u>555,627</u>
 NET ASSETS		
Unrestricted	1,584,165	1,446,017
Temporarily Restricted	<u>5,000</u>	<u>-</u>
Total Net Assets	<u>1,589,165</u>	<u>1,446,017</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,788,797</u>	 <u>\$ 2,001,644</u>

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

HABITAT FOR HUMANITY OF LA PLATA COUNTY, 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>
REVENUES AND SUPPORT				
Operating Revenues:				
Sales to Homeowners	\$ 642,100	\$ -	\$ 642,100	\$ 210,000
Mortgage Discount Amortization	60,206	-	60,206	130,880
Outlet Store Revenues	294,880	-	294,880	307,769
Proceeds from Forgivable Mortgages	-	-	-	43,475
Other Gains	-	-	-	36,869
Miscellaneous	627	-	627	5,787
Total Operating Revenues	<u>997,813</u>	<u>-</u>	<u>997,813</u>	<u>734,780</u>
Support:				
Contributions	29,567	5,855	35,422	42,029
Grants	59,300	5,000	64,300	63,500
Donated Services and Materials	82,142	-	82,142	36,085
Special Events	42,979	-	42,979	32,615
Net Assets Released from Restrictions	5,855	(5,855)	-	-
Total Support	<u>219,843</u>	<u>5,000</u>	<u>224,843</u>	<u>174,229</u>
TOTAL REVENUES AND SUPPORT	<u>1,217,656</u>	<u>5,000</u>	<u>1,222,656</u>	<u>909,009</u>
EXPENSES				
Program Services:				
Home Construction	803,892	-	803,892	398,453
Outlet Store	229,968	-	229,968	208,634
Total Program Services	<u>1,033,860</u>	<u>-</u>	<u>1,033,860</u>	<u>607,087</u>
Supporting Services:				
Management and General	18,556	-	18,556	23,793
Fundraising	27,092	-	27,092	58,603
Total Supporting Services	<u>45,648</u>	<u>-</u>	<u>45,648</u>	<u>82,396</u>
TOTAL EXPENSES	<u>1,079,508</u>	<u>-</u>	<u>1,079,508</u>	<u>689,483</u>
CHANGE IN NET ASSETS	138,148	5,000	143,148	219,526
NET ASSETS - BEGINNING OF YEAR	<u>1,446,017</u>	<u>-</u>	<u>1,446,017</u>	<u>1,226,491</u>
NET ASSETS - END OF YEAR	<u>\$ 1,584,165</u>	<u>\$ 5,000</u>	<u>\$ 1,589,165</u>	<u>\$ 1,446,017</u>

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

HABITAT FOR HUMANITY OF LA PLATA COUNTY, 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		Total 2018	Total 2017
	Home Construction	Outlet Store	Management and General	Fundraising		
Expenses:						
Advertising, Printing, and Publication	\$ 886	\$ 2,346	\$ 10	\$ 146	\$ 3,388	\$ 5,004
Bank and Credit Card Fees	1,559	6,280	-	173	8,012	10,244
Conferences, Meals, and Entertainment	3,586	52	167	334	4,139	3,946
Construction Costs	511,495	-	-	-	511,495	152,256
Depreciation	317	4,042	106	-	4,465	5,473
Dues and Subscriptions	3,056	-	-	3,056	6,112	6,976
Education and Training	609	1,926	-	-	2,535	3,183
Employee Benefits	8,845	238	337	189	9,609	11,820
Insurance - Workers Compensation	323	5,815	12	7	6,157	5,805
Insurance - General	3,499	-	389	-	3,888	3,878
Interest Expense	12,523	-	-	-	12,523	11,758
Licenses and Fees	3,744	-	-	76	3,820	150
Mortgage Discount	68,729	-	-	-	68,729	99,840
Office Expenses	7,267	8,801	413	430	16,911	15,703
Payroll Taxes	12,934	6,958	493	277	20,662	16,339
Professional Fees	13,825	-	728	-	14,553	14,306
Rent	12,832	64,160	4,919	3,636	85,547	82,905
Salaries and Wages	111,425	119,653	8,811	4,941	244,830	192,419
Special Events Expenses	1,320	-	-	11,880	13,200	13,013
Telephone and Utilities	6,017	9,697	1,464	650	17,828	16,377
Tithe	9,305	-	-	-	9,305	13,396
Vehicles Expenses	5,302	-	707	1,060	7,069	3,851
Volunteer and Event Expenses	4,494	-	-	237	4,731	841
TOTAL EXPENSES	\$ 803,892	\$ 229,968	\$ 18,556	\$ 27,092	\$ 1,079,508	\$ 689,483

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

HABITAT FOR HUMANITY OF LA PLATA COUNTY, 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>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 143,148	\$ 219,526
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation Expense	4,465	5,473
Mortgage Loans Issued - Net of Discount to Net Present Value	(4,142)	(9,654)
Discount Earned on Home Repurchases	(123,481)	-
Amortization of Discount on Mortgage Loans	(60,206)	(130,880)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Grants and Other Receivables	(4,366)	(1,287)
Supplies and Other	(1,103)	(6)
Construction-in-Progress	(63,770)	(321,633)
Increase (Decrease) in:		
Accounts Payable	143,331	13,639
Other Accrued Liabilities	49	446
Net Cash Provided by (Used In) Operating Activities	<u>33,925</u>	<u>(224,376)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase of) Property and Equipment	(784,757)	(29,545)
Mortgage Payments Received	323,000	203,516
Net Cash Provided By (Used In) Investing Activities	<u>(461,757)</u>	<u>173,971</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Notes Payable	968,581	-
(Payments on) Notes Payable	(467,956)	(129,512)
Net Cash Provided By (Used In) Financing Activities	<u>500,625</u>	<u>(129,512)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	72,793	(179,917)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>146,697</u>	<u>326,614</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 219,490</u>	<u>\$ 146,697</u>
<u>SUPPLEMENTAL DISCLOSURE:</u>		
Interest Paid	<u>\$ 12,523</u>	<u>\$ 11,758</u>
<u>NON-CASH INVESTING AND FINANCING TRANSACTION:</u>		
Land financed with note payable	<u>\$ -</u>	<u>\$ 410,000</u>

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

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

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

1 Summary of Significant Accounting Policies.

Nature of Organization. The Organization is a non-profit, tax-exempt Organization formed to construct and renovate homes with and for people in need. 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 operates a Habitat for Humanity ReStore (the "Outlet Store"), 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 Outlet Store inventory is included in these financial statements.

Basis of Accounting. The financial statements of the Organization are prepared on the accrual basis of accounting 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 Generally Accepted Accounting Principles. 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. Financial statement presentation follows the requirements under Generally Accepted Accounting Principles 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.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

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

1 Summary of Significant Accounting Policies. (Continued)

Recognition of Revenues and Support. The Organization records unconditional gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the purpose of the restriction is accomplished, temporary restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

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. As of June 30, 2018 and 2017, the Organization had no conditional promises to give.

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.

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

Donated 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. During the years ended June 30, 2018 and 2017, the Organization received and recognized \$1,977 and \$2,618, respectively, of 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 were not met.

Donations of assets are recorded at estimated fair market value at the date of donation, except for goods donated to the Outlet store. Consistent with the Habitat International Affiliate Operations Manual, goods donated to the Outlet store 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 \$80,165 and \$33,467, for the years ended June 30, 2018 and 2017, respectively.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

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

1 Summary of Significant Accounting Policies. (Continued)

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. These costs primarily include all construction-related expenses, including land development and building expenditures, as well as handling of fiduciary responsibilities related to existing, potential, and new mortgages.

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.

Property and Equipment. Property and equipment is 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 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.

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.

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

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

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

1 Summary of Significant Accounting Policies. (Continued)

Concentration of Credit Risk. Financial instruments that potentially subject the Organization to credit risk consist primarily of the following:

Cash. From time to time, the Organization may maintain cash balances in a financial institution in excess of the FDIC limit. To mitigate this exposure, the Organization chooses to maintain separate bank accounts for exclusive use with specific grants and programs.

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 rate determined by the IRS and used to discount the mortgages funded for the year ended June 30, 2018 and 2017, was 7.57% and 7.47, respectively. From time to time, the Organization may sell mortgages rather than hold them to term. In this situation, the gain or loss on the sale of mortgages is recorded in the year in which the mortgage is sold.

Construction-in-Progress. All 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.

During the year ended June 30, 2018, the Organization repurchased two homes from existing borrowers totaling \$102,000. The homes are included in Construction-in-Progress at June 30, 2018. During the year ended June 30, 2017, the Organization repurchased a home from an existing borrower for \$165,000. The home is included in Construction-in-Progress at June 30, 2017.

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. 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, a private entity is 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.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

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

1 Summary of Significant Accounting Policies. (Continued)

Advertising. The Organization uses advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$3,388 and \$5,004 for the years ended June 30, 2018 and 2017, respectively.

Subsequent Events. The Organization has evaluated subsequent events through January 31, 2019, which is the date the financial statements were available to be issued and determined that there were no material subsequent events that required recognition or additional disclosure in these financial statements.

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. The Company is currently evaluating the impact of the provisions of ASC 606 on its 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.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

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

2 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 - Outlet Store	\$ 410,000	\$ 410,000
Construction-in-Progress – Outlet Store	814,302	29,545
Leasehold Improvements	-	-
Vehicles	-	4,043
Equipment and Furniture	671	1,093
	<u>\$ 1,224,973</u>	<u>\$ 444,681</u>

Depreciation expense charged to operations totaled \$4,465 and \$5,473 for the years ended June 30, 2018 and 2017, respectively.

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	\$ 1,281,853	\$ 1,531,982
Less: Unamortized Discount	(698,841)	(813,799)
Net Mortgages Receivable	583,012	718,183
Less: Current Portion, Net of Unamortized Discount	(18,907)	(22,710)
Long-Term Portion, Net of Unamortized Discount	<u>\$ 564,105</u>	<u>\$ 695,473</u>

The following are future maturities of mortgages receivable for the years ending June 30:

2019	\$ 62,631
2020	62,348
2021	61,885
2022	59,549
2023	55,351
2024 and Beyond	980,089
	<u>\$ 1,281,853</u>

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

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

3 Mortgages Receivable. (Continued)

The Organization had sixteen outstanding mortgages receivable at June 30, 2018 and seventeen outstanding mortgages receivable at June 30, 2017 with applicable discount rates ranging from 7.39% to 8.34%. 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 2011-5 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.

In addition to the reported mortgages receivable described above, an additional second lien is established at the closing of each home for the difference between the appraised value and the actual sales price of the home. The amount of the second lien is forgiven at the end of the term of the first mortgage; however, no amounts associated with the second lien are reflected in these financial statements. The second lien is collected only upon sale by the mortgagee. Proceeds from the collection of second mortgages totaled \$-0- and \$43,475 for the years ending June 30 2018 and 2017, respectively.

4 Line-of-Credit.

The Organization has negotiated a \$60,000 line-of-credit with Wells Fargo Bank, N.A. The line bears interest at the prime rate plus 1.75%, with a floor rate of 5.0%, and is unsecured. The line matures on February 20, 2019. No amounts were outstanding on the line at June 30, 2018 and 2017.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

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

5 Notes Payable.

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

	<u>2018</u>	<u>2017</u>
United States Department of Agriculture (Interest only at 3.375% until March 1, 2019, then payable in monthly installments of \$9,468, including interest; \$2,459,000 available to draw; matures March 1, 2058; secured by a real estate deed of trust)	\$ 968,581	\$ -
First National Bank (payable in monthly installments of \$1,388, including interest at 4.4%; matures August 26, 2020; unsecured)	34,085	48,882
La Plata County Community Development Corporation (payable in \$20,000 install- ments upon sale of certain lots, with .05% interest, adjusted annually to the bank's one year CD interest rate; due on January 22, 2020; unsecured)	20,000	60,000
Housing Solutions (payable in two \$12,500 installments upon sale of certain lots, with 0% interest; due in January 2020; unsecured)	12,500	12,500
The First National Bank of Durango (payable in monthly interest only payments at 4%; originally due in January 2019; paid-off in February 2018 with proceeds from Department of Agriculture loan; secured by land)	-	410,000
Other	1,671	4,830
	<u>1,036,837</u>	<u>536,212</u>
Less: Current Maturities	<u>59,863</u>	<u>50,427</u>
Notes Payable – Due After One Year	<u>\$ 976,974</u>	<u>\$ 485,785</u>

Future maturities of notes payable are as follows for the years ending June 30:

2019	\$ 59,863
2020	50,098
2021	32,532
2022	33,648
2023	34,801
2024 and Beyond	825,895
	<u>\$ 1,036,837</u>

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

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

6 Operating Leases.

The Organization leases office space and commercial outlet space under non-cancelable operating leases that mature on December 31, 2018. The minimum future lease payments for the years ending June 30, are as follows:

2019	<u>\$ 39,000</u>
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7 Temporarily Restricted Net Assets.

The Organization receives contributions from various organizations and individuals which are temporarily restricted. At June 30, 2018 and 2017, Temporarily Restricted net assets total \$5,000 and \$ 0 , respectively.

8 Other Commitments.

In July 2017, the Organization entered into an agreement with a contractor to construct a new outlet store, with construction beginning in October of 2017. The cost to construct the outlet store is currently estimated to total \$2,459,000. As of June 30, 2018, approximately \$970,000 has been spent on the construction of the outlet store.

9 Transactions with Habitat International.

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 year ended June 30, 2018, the Organization contributed \$9,305 to Habitat International, and for the year ended June 30, 2017 the Organization contributed \$13,396. This amount is included in Program Services in the Statement of Activities.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Rural Development Program		
Community Facilities Loans and Grants	10.766	\$ 968,581
Total Expenditures of Federal Awards		<u>\$ 968,581</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Habitat for Humanity of La Plata County, Inc. under programs of the federal government for the year ended June 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization. It is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Subpart E - Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement

The Organization does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Note 3 - Loan Outstanding

Total expenditures as reported on the schedule under the Rural Development Program represents the beginning of the year loan balance plus loan advances incurred during the year ended June 30, 2018. As of June 30, 2018, the Organization has an outstanding loan of \$968,581 with the United States Department of Agriculture.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors of
Habitat for Humanity of La Plata County, Inc.
Durango, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of La Plata County, Inc. (a nonprofit organization), 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, and have issued our report thereon dated December 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP
Denver, Colorado

January 31, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of
Habitat for Humanity of La Plata County, Inc.
Durango, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Habitat for Humanity of La Plata County, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2018. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP
Denver, Colorado

January 31, 2019

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- * Material weakness(es) identified? _____ yes X no
- * Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? _____ yes X no
- * Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 500.516(a)?

_____ yes X no

Identification of Major Programs:

Community Facilities Loans and Grants - Direct Loan

CFDA#
10.766

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

_____ yes X no

Section II - Financial Statement Findings

None Reported.

Section III - Federal Award Findings and Questioned Costs

None Reported.