



Financial Statements
June 30, 2014

Habitat for Humanity of Utah County

Independent Auditor’s Report.....	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6



Independent Auditor's Report

Board of Directors
Habitat for Humanity of Utah County
Orem, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Utah County (a Utah not-for-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2014, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Utah County as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Salt Lake City, Utah
November 17, 2014

www.eidebailly.com

Habitat for Humanity of Utah County
Statement of Financial Position
June 30, 2014

	2014
Assets	
Current Assets	
Cash and cash equivalents	\$ 241,536
Short-term investments	100,063
Accounts receivable, net	43,123
Prepaid expenses	22,017
Other assets	50,767
Homes under construction and held for sale	381,774
ReStore inventory	24,831
Interest bearing mortgage loans receivable - current portion	2,670
Non-interest bearing mortgage loans receivable - current portion, net of discount	55,344
Total Current Assets	922,125
Property and equipment, net	1,894,790
Non-interest bearing mortgage loans receivable, net of unamortized discount of \$2,255,837 and \$2,173,088 and net of current portion	1,999,714
Interest bearing mortgage loans, net of current portion	22,932
Total Assets	\$ 4,839,561
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 76,448
Accrued liabilities	67,535
Income taxes payable	-
Mortgage payable - current portion	57,040
Total Current Liabilities	201,023
Long-Term Liabilities	
Mortgage Payable - net current portion	1,250,438
Total Liabilities	1,451,461
Net Assets	
Unrestricted	3,326,553
Temporarily restricted	61,547
Total Net Assets	3,388,100
Total Liabilities and Net Assets	\$ 4,839,561

Habitat for Humanity of Utah County
Statement of Activities
Year Ended June 30, 2014

	2014		
	Unrestricted	Temporarily Restricted	Total
Support			
Contributions	\$ 367,386	\$ 157,211	\$ 524,597
Grants	543	207,564	208,107
In-kind donations	119,231	-	119,231
Special events:			
Special event revenue	-	11,660	11,660
Less cost of direct benefit to special event donors	-	(982)	(982)
Net revenue from special events	-	10,678	10,678
Net assets released from restrictions	313,906	(313,906)	-
Total Support	<u>801,066</u>	<u>61,547</u>	<u>862,613</u>
Revenues			
Retail sales	924,664	-	924,664
Mortgage discount amortization	155,816	-	155,816
Transfer of homes	505,000	-	505,000
Other program income	5,424	-	5,424
Interest	2,695	-	2,695
Gain on sale of property and equipment	25,477	-	25,477
Total Revenue	<u>1,619,076</u>	<u>-</u>	<u>1,619,076</u>
Total Support and Revenue	<u>2,420,142</u>	<u>61,547</u>	<u>2,481,689</u>
Expenses			
Program services expense			
Volunteer and family programs	1,311,566	-	1,311,566
Home improvement retail outlets	778,765	-	778,765
Supporting services expense			
Management and general	90,054	-	90,054
Fundraising and development	80,381	-	80,381
Income Taxes	954	-	954
Total Expenses	<u>2,261,720</u>	<u>-</u>	<u>2,261,720</u>
Change in Net Assets	158,422	61,547	219,969
Net Assets, Beginning of Year	<u>3,168,131</u>	<u>-</u>	<u>3,168,131</u>
Net Assets, End of Year	<u>\$ 3,326,553</u>	<u>\$ 61,547</u>	<u>\$ 3,388,100</u>

Habitat for Humanity of Utah County
Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services			Supporting Services		
	Volunteer and Family Programs	Home Improvement Retail Outlets	Total	Management and General	Fundraising and Development	Total
Bad Debt Expense	\$ 1,951	\$ -	\$ 1,951	\$ -	\$ -	\$ 1,951
Construction Expense	13,197	-	13,197	-	-	13,197
Cost of Homes Transferred	503,849	-	503,849	-	-	503,849
Cost of Inventory Sold	-	86,294	86,294	-	-	86,294
Depreciation Expense	8,344	50,137	58,481	5,283	6,008	69,771
Equipment Expense	2,099	-	2,099	2,037	2,037	6,174
Insurance	5,539	13,044	18,583	4,947	804	24,333
Interest	4,879	56,309	61,188	4,640	4,640	70,469
Mission Specific Costs	40,380	-	40,380	-	-	40,380
Mortgage Discounts	353,872	-	353,872	-	-	353,872
Mortgage Servicing	4,800	-	4,800	-	-	4,800
Occupancy Costs	2,934	117,406	120,340	1,835	1,588	123,763
Office Supplies	2,076	-	2,076	2,015	2,015	6,105
Other	1,945	-	1,945	562	11,560	14,067
Postage	1,035	-	1,035	1,035	236	2,306
Printing	1,510	-	1,510	1,154	-	2,664
Professional Services	-	-	-	8,000	-	8,000
Public Relations	28,295	11,414	39,709	-	-	39,709
Retail Store Expenses	-	78,639	78,639	8,000	-	86,639
Salary and Benefits	277,085	360,197	637,282	46,936	45,222	729,440
Tithe to Habitat for Humanity International	40,730	-	40,730	-	-	40,730
Travel and Training	11,621	6,307	17,928	1,914	3,815	23,657
Utilities	5,426	-	5,426	1,695	2,456	9,578
Total expenses by function	1,311,566	779,747	2,091,313	90,054	80,381	2,261,748
Less expenses included with revenues on the statement of activities	-	(982)	(982)	-	-	(982)
Total expenses included in the expense section on the statement of activities	<u>1,311,566</u>	<u>778,765</u>	<u>2,090,331</u>	<u>90,054</u>	<u>80,381</u>	<u>2,260,766</u>

See Notes to Financial Statements

Habitat for Humanity of Utah County
Statement of Cash Flows
Year Ended June 30, 2014

	2014
Operating Activities	
Change in net assets	\$ 219,969
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	69,771
Bad debt expense	1,951
Gain on sale of property and equipment	(25,477)
In-kind donations, capitalized	(110,731)
Mortgage discount amortization	(155,816)
Discount on mortgages	353,872
Gain on transfer of homes	(1,151)
Changes in operating assets and liabilities:	
Accounts receivable	(17,817)
Prepaid expenses	(7,340)
Other assets	(3,089)
Homes under construction and held for sale	(238,537)
Inventory	2,172
Accounts payable	(46,446)
Accrued liabilities	(13,027)
Income tax payable	(4,655)
Net Cash From for Operating Activities	23,649
Investing Activities	
Purchase of short-term investments	(100,063)
Proceeds from sale of land and equipment	32,728
Purchase of equipment	(32,332)
Collections on mortgage loans	203,877
Net Cash from Investing Activities	104,210
Financing Activities	
Payments on mortgage payable	(55,078)
Net Cash Used for Financing Activities	(55,078)
Net Change in Cash and Cash Equivalents	72,781
Cash and Cash Equivalents at Beginning of Period	168,755
Cash and Cash Equivalents at End of Period	\$ 241,536
Supplemental Disclosure of Cash Flow Information and Non-Cash Financing Activities	
Acquisition of home under construction through accounts payable	\$ 49,880
Cash Payments for	
Interest	\$ 70,371
Income taxes	\$ 9,887

See Notes to Financial Statements

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Habitat for Humanity of Utah County (the Organization) a nonprofit corporation, was incorporated on December 5, 1991. The Organization is an affiliate of Habitat for Humanity International (Habitat International), a nondenominational Christian not-for-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelters a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization's operations. Revenues to support the Organization are primarily received from donations of cash, materials, and services.

In April 2007, the Organization opened a discount home improvement outlet, called the ReStore in Orem, Utah. In April 2013, the Organization opened a second location in Spanish Fork, Utah. The ReStore sells to the general public, and most of the store's merchandise has been donated by building supply stores, construction companies, and individuals in the community.

The accompanying financial statements have been prepared in accordance with standards for not-for-profit organizations adopted by the Financial Accounting Standards Board. They are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when notice is received, and grant revenues are recorded when earned. ReStore donations are recorded when the items are sold as discussed below.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the financial statements, the Organization considers all cash and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. In addition, management also considers money market funds to be cash equivalents. From time to time during the year, the Organization's cash balance in financial institutions has exceeded the FDIC insurance limits. At June 30, 2014, the Organization had no deposits with financial institutions that exceeded FDIC insurance.

Short Term Investments

Short term investments consist of certificates of deposit with original maturities greater than 90 days.

ReStore Home Improvement Outlets

The store's merchandise consists primarily of items that have been donated by building supply stores, construction companies, and individuals in the community. Because many of the donations are the result of overstocked items or are used items, the value of donations is not readily determinable until such merchandise is sold. Therefore, retail inventory from donated items of the store has not been recorded in these financial statements. Retail sales on these donated items are recorded at the point of sale. The remaining inventory which consists of purchased items is stated at the lower of cost or market determined by the first-in first-out method.

Homes Under Construction and Held For Sale

Homes under construction includes the direct and indirect costs of construction, land, and the donated value of materials and professional services used in the construction of homes. Transfer to homeowners is recorded when the home is occupied and title is transferred.

Property and Equipment

Equipment and leasehold improvements are recorded on the basis of cost for purchased assets or fair value at the date of donation for donated assets. The Organization capitalizes all acquisitions in excess of \$1,000. Depreciation is recorded using the straight-line method.

Non-Interest Bearing Mortgage Loans

Mortgage loans are recorded when a homeowner occupies the home and title is transferred. Habitat International requires local chapters to discount their mortgage loans. The loan is recorded at the gross amount of payments to be received over the life of the mortgage, and an offsetting discount is recorded based on prevailing market rates at the inception of the mortgage. Discounts are amortized over the lives of the loans using the effective interest method.

Interest Bearing Mortgage Loans

Interest bearing mortgage loans are recorded at the gross amount of payments to be received over the life of the mortgage. Interest is recorded in the period which it is earned.

Contributions and Donor Restrictions

Contributions received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Contributions not subject to donor restrictions are reported as unrestricted support. Temporarily restricted support represents contributions that are restricted by the donor for construction activities or for specific equipment purchases. Net assets restricted for construction are released from restricted net assets when construction costs are paid. If temporarily restricted contributions are released from restricted net assets in the same year as the contribution is received, the contribution is reported as temporarily restricted support on the statement of activities.

Contributions related to special events are recognized in the period that the event occurs.

Government Grants

The Organization receives funding from several federal financial assistance programs that supplement its traditional funding sources. Habitat recognizes the award as government grant revenue as the expenses stipulated in the grant agreement have been incurred.

In-Kind Support

The Organization receives donations from a variety of sources for services and materials in the furtherance of its objectives. The in-kind support consists principally of discounts on services of professionals, building materials, and land. In-kind support is recorded at its fair value on the date of donation.

Program Services

Volunteer and Family Programs: Includes activities associated with completing homes, providing mortgage loans to program participants, and creating community awareness and participation. Volunteer and Family Programs also includes the Organization's neighborhood revitalization activities, which includes home repairs for needy individuals.

Home Improvement Retail Outlet: Includes the operations of the discount home improvement retail outlet, the ReStore.

Allocated Administrative Expenses

The costs of providing the programs and services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Income Taxes

Habitat for Humanity of Utah County is organized as a state of Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under sections 509(a)(1). Habitat for Humanity of Utah County is required to file a return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the agency is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization files an exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report is unrelated business taxable income.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Agency would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such interest and penalties are incurred. The Organization's Forms 990-T and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2010.

Subsequent Events

Subsequent events have been evaluated through November 17, 2014 which is the date the financial statements were available to be issued.

Note 2 - Homes Under Construction and Held for Sale

A summary of activity in homes under construction and building lots for the years ended June 30, 2014 and 2013 is as follows:

Balance - June 30, 2013	\$	486,475
Purchase of property		55,196
Taxes and additions		37,138
Construction costs		306,814
Transfer of homes		(503,849)
		(503,849)
Balance - June 30, 2014	\$	381,774

Note 3 - Property and Equipment

As of June 30, 2014, the cost of property and equipment was as follows:

	Depreciable Lives	Balance
Office Equipment and Improvements	5-7 years	9,876
Construction Equipment	5-10 years	106,951
Retail Store Equipment and Improvements	5-7 years	12,587
Building	40 years	2,094,757
		2,224,171
Less accumulated depreciation		(329,381)
Total, net		\$ 1,894,790

Note 4 - Non-Interest Bearing Mortgage Loans

As of June 30, 2014, the Organization held 50 non-interest bearing mortgage loans. The mortgage loan maturities range from 20 to 40 years. These mortgages are secured by the underlying real estate that is located primarily in Utah County in Utah. All mortgages are secured with a security interest and trust deed in each property. Cash reserves for insurance and taxes on each property are held in a third-party trust and are not included in the

Organization’s statement of financial position. The Organization has established an allowance for loan loss of \$45,067 for the year ended June 30, 2014. The allowance is netted on the balance sheet with Non-interest bearing mortgage loan receivable. During the year ended June 30, 2014 the Organization recognized bad debt expense of \$1,951.

The mortgage loan principal is divided into two parts, the first part is the traditional loan payment. The “second mortgage” is a lump sum due at the maturity date of the loan. This lump sum is forgiven incrementally over the life of the loan as long as the mortgage is not in default. The Organization has determined that this lump sum mortgage amount should be expensed as a discount on the loan and then subsequently recognized as a gain if it is determined that the mortgage will not receive forgiveness of the final lump sum payment. During the year ended June 30, 2014, there were no homes in default and the Organization does not expect any of the current mortgages to be subject to payment of the “second mortgage.”

Habitat International requires local chapters discount their non-interest bearing loans at certain discount rates published by the IRS. The discount is recorded as an offset to the gross payments to be received from the loans and a corresponding charge to “discount on mortgage loans receivable” in the accompanying Statement of Functional Expenses. During the year ended June 30, 2014, three new loans totaling \$505,000 were issued with maturities ranging from 20 to 35 years. The loans had underlying construction costs of \$503,849 resulting in a gain on the completed homes of \$1,151. During the year ended June 30, 2014 the loans included a lump sum discount of \$108,000. The discount rates for the loans issued during the years ended June 30, 2014 and 2013 was 7.58% and 7.39%, respectively, resulting in a total original discount balance of \$245,871 on the new loans.

As of June 30, 2014, the Organization was not accruing interest on any past-due loan balances.

The following is a schedule of maturities of non-interest bearing mortgage loans as of June 30, 2014:

Year Ending June 30,	Loan Payments
2015	\$ 209,344
2016	210,171
2017	209,202
2018	207,530
2019	207,249
Thereafter	3,466,466
Total	4,509,962
Unamortized Discount	(2,409,837)
Allowance for loan loss	(45,067)
Current portion	(55,344)
Balance, net of current portion	\$ 1,999,714

Note 5 - Commitments

The Organization entered into an operating lease agreement for its Spanish Fork retail outlet store commencing March 16, 2013. The lease requires average monthly payments of \$7,231 through April 2015. The Organization has two renewal options for 24 months each at the same rate. During the years ended June 30, 2014, the Organization incurred rent expense of \$91,350 under this lease. Minimum required lease payments for the year ended June 30, 2015 are \$78,300.

Note 6 - Mortgage Payable

The mortgage payable at June 30, 2014 consists of a loan payable to Wells Fargo Bank, with interest at 5.25%, secured by real estate. The loan requires monthly principal and interest payments of \$10,360 through October 2019. The loan documents require that Organization maintain \$100,000 in cash and a debt coverage ratio of 1.25. The Organization is in compliance with these covenants.

	2014
5.25% note payable, due in monthly installments of \$10,360, including interest, beginning August 9, 2009 through October 26, 2019, when the remaining balance is due, secured by bonds.	<u>\$ 1,307,478</u>
Total long-term debt	1,307,478
Less current portion	<u>(57,040)</u>
Noncurrent portion	<u><u>\$ 1,250,438</u></u>

Future maturities of long-term debt balances are as follows:

Year ending June 30,

2015	\$ -
2016	60,109
2017	63,342
2018	66,748
2019	70,338
After 2019	<u>989,901</u>
	<u><u>\$ 1,250,438</u></u>