HABITAT FOR HUMANITY OF THE GREATER TETON AREA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
INDEX TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Habitat for Humanity of the Greater Teton Area
Jackson, Wyoming

We have audited the accompanying financial statements of Habitat for Humanity of the Greater Teton Area (Habitat) (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, 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 of 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 as of June 30, 2016, 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 of America.

Other Matter

The prior year comparative financial statements as of June 30, 2015, were audited by a predecessor auditor. The predecessor auditor expressed an unqualified opinion on those financial statements dated April 21, 2016.

Gutke & Associates, P.C.

North Salt Lake, Utah
March 9, 2017

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	June 30, 2016	June 30, 2015
Current assets		
Cash and cash equivalents	$ 1,651,176	$ 706,254
Restricted cash (Note 2)	35,317	32,076
Trust accounts	-	4,601
Current portion of receivables (Note 3)	49,088	237,621
Current portion of mortgages receivable (Note 4)	47,900	72,900
Prepaid expenses	42,730	2,250
Inventories	45,000	32,500
Completed homes inventory	-	405,952
Total current assets	1,871,211	1,494,154
Construction in process (Note 5)	3,869	-
Receivables, net of current portion (Note 3)	35,368	13,785
Mortgages receivable, net of current portion (Note 4)	238,757	358,115
Deposits	4,650	4,650
Property and equipment, net (Note 6)	1,199,823	1,074,408
Transferred mortgages receivable, net of current portion (Note 4)	1,063,481	813,365
Total Assets	$ 4,417,159	$ 3,758,477
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 94,561	$ 140,226
Homeowner deposits	-	4,601
Deferred revenues	-	23,700
Current portion of secured borrowing (Note 1)	-	-
Total current liabilities	94,561	168,527
Secured borrowing (Note 1)	2,418,081	1,964,076
Total Liabilities	2,512,642	2,132,603
Net assets		
Board-designated unrestricted net assets (Note 11)	200,000	200,000
Undesignated unrestricted net assets	1,534,279	1,365,332
Total unrestricted net assets	1,734,279	1,565,332
Temporarily restricted (Note 11)	170,238	60,542
Permanently restricted	-	-
Total net assets	1,904,517	1,625,874
Total Liabilities and Net Assets	$ 4,417,159	$ 3,758,477

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

	Unrestricted	Temporarily Restricted	Total	June 30, 2015
Support and revenues:				
Sales of homes, net of cost of homes sold of $435,755 and $1,446,040, respectively)	$ 47,801	$ -	$ 47,801	$ (374,440)
Contributions and grants	253,375	157,950	411,325	494,890
Store sales	339,975	-	339,975	351,316
Interest income	2,676	-	2,676	243,762
In-kind donations	113,311	-	113,311	147,703
Special events and activities	197,055	-	197,055	145,859
Fire insurance proceeds	250,955	-	250,955	91,980
Other program revenue	19,024	-	19,024	22,516
Net assets released from restrictions (Note 12)				
Satisfaction of program restrictions	-	-	-	-
Satisfaction of time restrictions	48,254	(48,254)	-	-
Total Revenues, Gains, and Other Support	1,272,426	109,696	1,382,122	1,123,586
Expenses				
Program services	764,514	-	764,514	1,205,459
Management and administration	183,688	-	183,688	151,329
Fundraising	155,277	-	155,277	129,725
Total expenses	1,103,479	-	1,103,479	1,486,513
Change in net assets	168,947	109,696	278,643	(362,927)
Net assets, beginning of period	1,565,332	60,542	1,625,874	1,988,801
Net assets, end of period	$ 1,734,279	$ 170,238	$ 1,904,517	$ 1,625,874

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Sales of homes, net of cost of homes sold of $1,446,040	$ (374,440)	$ -	$ (374,440)
Contributions and grants	414,678	80,212	494,890
Store sales	351,316	-	351,316
Interest income	243,762	-	243,762
In-kind donations	147,703	-	147,703
Special events and activities	145,859	-	145,859
Net insurance proceeds	91,980	-	91,980
Other program revenue	22,516	-	22,516
Net assets released from restrictions			
Satisfaction of program restrictions	-	-	-
Satisfaction of time restrictions	41,653	(41,653)	-
Total Revenues, Gains, and Other Support	1,085,027	38,559	1,123,586
Expenses			
Program services	1,205,459	-	1,205,459
Management and administration	151,329	-	151,329
Fundraising	129,725	-	129,725
Total expenses	1,486,513	-	1,486,513
Change in net assets	(401,486)	38,559	(362,927)
Net assets, beginning of period	1,966,818	21,983	1,988,801
Net assets, end of period	$ 1,565,332	$ 60,542	$ 1,625,874

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for June 30, 2015)

	Program Expense	Administration and General	Fundraising and Development	Total	June 30, 2015
Home building costs	$ -	$ -	$ -	$ -	$ 242,976
Salaries and wages	215,360	84,348	60,126	359,834	342,138
Payroll taxes and benefits	47,131	14,276	12,135	73,542	105,381
Facilities	94,363	20,217	11,522	126,102	85,260
Auto	9,780	-	-	9,780	9,889
Homeowner services	10,421	-	-	10,421	9,539
Insurance	8,078	3,457	-	11,535	16,014
Advertising and marketing	25,745	2,293	2,289	30,327	26,181
Fundraising	-	-	50,312	50,312	44,881
Volunteer recognition	1,105	4,775	211	6,091	8,128
Tithe to HFHI	72,645	-	-	72,645	60,426
Global village expense	23,452	-	-	23,452	23,327
Supplies	3,818	3,594	2,231	9,643	15,574
Depreciation	8,920	-	-	8,920	14,790
Training and travel	1,996	1,137	590	3,723	15,797
Dues and subscriptions	247	1,738	500	2,485	3,682
Postage	120	610	351	1,081	1,413
Fees and licenses	2,180	27	-	2,207	527
Professional fees	15,013	11,307	2,071	28,391	32,543
Other	97	221	-	318	5,123
Bad debt expense	-	-	-	-	4,500
Fire damage replacement costs	11,467	8,876	4,002	24,345	-
Mortgage discounts	174,313	-	-	174,313	337,095
Loss on transfer of mortgages	38,263			38,263	53,377
In-kind costs	-	26,812	8,937	35,749	27,952
Totals	$ 764,514	$ 183,688	$ 155,277	$ 1,103,479	$ 1,486,513

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	Program Expense	Administration and General	Fundraising and Development	Total
Home building costs	$ 242,976	$ -	$ -	$ 242,976
Salaries and wages	218,768	65,816	57,554	342,138
Payroll taxes and benefits	82,920	11,006	11,455	105,381
Facilities	63,166	19,320	2,774	85,260
Auto	9,849	40	-	9,889
Homeowner services	9,539	-	-	9,539
Insurance	12,466	3,548	-	16,014
Advertising and marketing	14,887	2,998	8,296	26,181
Fundraising	5,217	-	39,664	44,881
Volunteer recognition	5,753	2,375	-	8,128
Tithe to HFHI	60,426	-	-	60,426
Global village expense	23,327	-	-	23,327
Supplies	9,655	4,625	1,294	15,574
Depreciation	12,081	2,709	-	14,790
Training and travel	10,160	2,326	3,311	15,797
Dues and subscriptions	2,175	1,507	-	3,682
Postage	63	473	877	1,413
Fees and licenses	-	527	-	527
Professional fees	24,197	8,346	-	32,543
Other	52	565	4,500	5,117
Bad debt expense	4,500	-	-	4,500
Interest expense	-	6	-	6
Mortgage discounts	337,095	-	-	337,095
Loss on transfer of mortgages	53,377	-	-	53,377
In-kind costs	2,810	25,142	-	27,952
Totals	$ 1,205,459	$ 151,329	$ 129,725	$ 1,486,513

See accompanying notes and auditor's report

HABITAT FOR HUMANITY OF THE GREATER TETON AREA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
Cash flows from operating activities:		
Cash received from donations	$ 578,999	$ 609,420
Cash received from ReStore	344,848	356,926
Cash received from fundraising	17,795	34,997
Cash received from investment interest	2,676	1,272
Cash received from mortgages receivable	40,619	9,480
Cash received from other income	18,754	20,877
Cash received from fire insurance	426,380	-
Cash received from transfer of mortgages receivable, net of payments to WCDA	640,511	416,240
Cash payments to WCDA for repurchased homes	(92,104)	(205,693)
Cash payments for home construction	(3,869)	(502,444)
Cash payments on completed homes inventory	(11,306)	(83,009)
Cash paid for salaries and employee benefits	(462,055)	(649,653)
Cash payments to suppliers for goods and services	(427,850)	(420,517)
Net cash provided by (used in) operating activities	1,073,398	(412,104)
Cash flows from investing activities:		
Purchase of land and equipment	(125,235)	(14,244)
Net cash used in investing activities	(125,235)	(14,244)
Net cash provided by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	948,163	(426,348)
Cash and cash equivalents at beginning of period	738,330	1,164,678
Cash and cash equivalents at end of period	$ 1,686,493	$ 738,330

See accompanying notes and auditor's report

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Habitat for Humanity of the Greater Teton Area (Habitat), is a non-profit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Further, it has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. Habitat was incorporated on October 1, 1995. Habitat is an organization based on Christian principles that works to strengthen their community by building simple, decent homes in partnership with hardworking families in need and people from all walks of life. Habitat is an affiliate of Habitat for Humanity International, Inc. (HFHI). Although HFHI assists with information resources, branding, and training, Habitat operates independent of HFHI and a local board of directors is directly responsible for its operations.

Habitat builds houses using primarily volunteer labor, purchased materials, and donated materials. The houses are sold to qualified buyers at no profit with a non-interest bearing loan provided by Habitat. Prospective homeowners must demonstrate a need for housing (substandard or overcrowded conditions or cost burdened) and prove an ability to pay a monthly mortgage payment, including taxes, homeowners insurance, homeowner's association dues and upkeep. In addition, they are required to invest at least five hundred hours of labor ("sweat equity") into the construction of their and their neighbors' homes and participate in financial counseling and homeownership education classes.

All affiliates of HFHI are asked to tithe ten percent of unrestricted contributions to construct homes in other countries. Donors are given the option to restrict funds for local use and the majority of foundation grants are restricted to local projects. In fiscal year 2016, Habitat tithed $72,645 to HFHI. The annual tithe was distributed as follows: $6,643 went directly to Habitat for Humanity - Colombia; $66,002 went to Habitat for Humanity - Nepal. This was sufficient to build 16 homes internationally during 2015-2016. No funds were sent to the general operating fund of HFHI. During fiscal year 2016 Habitat carried a fundraising activity that specifically targeted funds for Habitat for Humanity - Nepal. For that reason, the fiscal year 2016 tithe exceeded the traditional ten percent of unrestricted contributions. Fiscal year 2016 tithe was directed toward disaster relief in Nepal and to a specific partnership in conjunction with a Global Village volunteer trip to Colombia. During Global Village trips, volunteers travel to Habitat affiliates around the word to build homes with the money donated through tithe. In the past, Habitat has sent volunteers to El Salvador, the Philippines, Mexico, Bolivia, and Guatemala. Habitat has built and sold 34 homes in Teton County and has funded the construction of 81 homes globally.

During fiscal year 2016, Habitat completed the rehab of three repurchased Habitat homes and sold them to newly selected Habitat families.

Habitat is responsible for raising its own funding. Some funding is received through corporate grant programs organized by HFHI (e.g., The Lowes Foundation grants funds to HFHI and HFHI affiliates go through a competitive application process for a portion of the funds). Historically, Habitat has received the majority of its funding from individual contributions, foundation grants, the sale of mortgages to the Wyoming Community Development Authority (WCDA) and profits from the Habitat ReStore.

Habitat owns and operates the Habitat ReStore, which accepts donations of furniture, building materials, appliances and household items. While some donations are used in the construction of Habitat homes, the majority of the donations are sold to the public. Store profits support the administrative and operating expenses of Habitat.

Basis of Accounting

The financial statements of Habitat have been prepared on the accrual basis of accounting and in conformity with standards promulgated by the American Institute of Certified Public Accountants in its audit guide for not-for-profit organizations.

Financial Statement Presentation

Habitat presents its financial statements in accordance with U.S. generally accepted accounting principles and the Not-For-Profit requirements of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958. Under FASB ASC 958, Habitat is required to report 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. In addition, Habitat is required to present a statement of cash flows. In this fiscal year, Habitat has elected to early adopt the provisions of Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, relating to the statement of cash flows, whereby the direct method is presented without reconciliation to net income.

Contributions and Donor Restrictions

Habitat records contributions in accordance with the standards in FASB ASC 958, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases to temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Inventories

Inventories consist of donated goods held for sale in the ReStore (see Note 1 “Donated Materials and Services”). Inventory value is based on an estimated thrift store value of the goods on hand at year-end.

Completed Homes Inventory at June 30, 2015 is the cost of the three homes repurchased from Habitat partner families during the fiscal year ending June 30, 2016. The cost represents the actual dollar cost, not current market value. These three homes were resold to other qualifying families during the fiscal year ending June 30, 2016.

Donated Materials and Services

Donated materials and equipment are recorded as support at their estimated values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The ReStore receives donated materials which are used for the program or sold, but are considered in-kind donation revenue. Building materials suppliers and subcontractors also regularly provided free or discounted materials and services to home construction projects; these donations are recorded at their fair market value at the date of donation.

Habitat receives significant donated services from unpaid volunteers who assist in home building, operational support, family selection, fundraising and administrative tasks. For the years ended June 30, 2016 and 2015, construction volunteers contributed 2,222 and 8,350 hours, respectively. Donated services are recorded at fair value if they create or enhance non-financial assets or if they consist of specialized skills that would have to be purchased if they were not donated. For the years ended June 30, 2016 and 2015, the value of donated goods and services are as follows:

Description	2016	2015
Construction services	$ 1,062	$ 87,251
Donated materials	75,813	32,500
Accounting and legal services	35,749	27,952
	$ 112,624	$ 147,703

Cash and Cash Equivalents

For purposes of the statements of cash flows, Habitat considers all highly liquid investments with a maturity three months or less to be cash equivalents.

Receivables

Accounts receivable and grants receivable are carried at estimated collectible amounts. Pledges receivable are carried at their estimated fair value. Receivables are periodically evaluated for collectability. Provisions for losses on receivables are determined on the basis of past experience, known and inherent risk in the account balances, and current economic conditions.

Transferred Mortgages Receivable

Habitat intends to ultimately sell substantially all mortgages to the WCDA. These transactions are accounted for in accordance with accounting standards for Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. Under this standard, Habitat has maintained effective control over the assets transferred because WCDA has the right to transfer the mortgages back to Habitat if the borrower defaults or sells the home; accordingly, the sale is accounted for as a secured borrowing. As a secured borrowing Habitat continues to reflect the outstanding balance of the mortgages as an asset with a related liability equal to the cash price paid for the mortgage. Habitat sells the mortgage to the WCDA at a loss. The loss is recognized over the life of the corresponding mortgage as cash is collected on the mortgage.

Financing Receivables

Mortgages receivable held by Habitat (mortgages) are non-interest bearing and are secured by homes sold. Interest is imputed for each mortgage which results in a present value discount. The present value discount is amortized over the life of the corresponding mortgage as interest income. Mortgages are due upon the earlier of the sale of the home, refinance or at maturity. Mortgages are considered past due when the debtor fails to comply with the repayment terms of the loan document. It is anticipated that all mortgages are collectable based on the payment history of the corresponding notes held. Accordingly, no provision for uncollectable mortgages has been included in the financial statements.

Credit quality is determined by Habitat during the loan application process. At that time, factors such as employment history and bank account activity are considered.

Property and Equipment

Property and equipment are capitalized when their purchase cost exceeds $1,000 and are stated at cost or, if acquired by gift, at the estimated fair market value at the date of gift less accumulated depreciation. Costs of major renewals or betterments are capitalized by charges to the appropriate asset account and depreciated over the estimated remaining useful life. Depreciation is computed using the straight line method. The cost of property disposed of and related accumulated depreciation are removed from the accounts at the time of disposal, and gain or loss is charged to operations.

The estimated useful lives are as follows:

Equipment	5 to 10 years
Furniture and Fixtures	5 to 7 years

Compensated Absences

Employees earn leave days each year based on length of service for use as vacation and sick leave. Leave time vests when it is earned, and has been reported as part of accrued expenses.

Allocation of Functional Expenses

The costs of providing Habitat's programs and activities are reported on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Any program expenses or support costs not directly chargeable to a specific program are allocated to the programs based on management policies and estimates and the guidelines outlined in the contracts and grants.

Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the years ended June 30, 2016 and 2015, was $30,327 and $26,181, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Income Taxes

As a non-profit organization which is not a private foundation, Habitat claims exemption from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and related state provisions. Accordingly, no provision for income taxes has been made in the financial statements, except for as it pertains to unrelated business taxable income.

Habitat considers many factors when evaluating and estimating its tax positions and tax benefits. Tax positions are recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the positions will be sustained upon examination by the applicable taxing authority. Reserves are established if it is believed certain positions may be challenged and potentially disallowed. If facts and circumstances change, reserves would be adjusted through a provision for income taxes. Habitat would also recognize interest expense and penalties related to unrecognized tax benefits through a provision for income taxes. As of June 30, 2016, management did not identify any uncertain tax positions. Habitat is no longer subject to examination by the Internal Revenue Service for years prior to 2013.

Significant Concentrations of Credit Risk

Habitat maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. For the years ended June 30, 2016 and 2015, approximately $454,635 and $23,000, respectively, of cash and cash equivalents was uninsured at various financial institutions. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

For the years ended June 30, 2016 and 2015, concentrations of pledges and grants receivables are as follows:

	2016	2015
Grantor A	N/A	$ 15,000
Donor A	$ 37,500	N/A
Donor B	$ 5,000	$ 10,000

Promises to Give

Unconditional promises to give are discounted by 5% as an estimate of the present value of estimated future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Habitat uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on management's analysis of specific promises made.

NOTE 2 - RESTRICTED CASH

WCDA purchases mortgages from Habitat (see Note 4). The WCDA requires Habitat to maintain a reserve sufficient to fund six monthly payments on the first six mortgages purchased by the WCDA plus six monthly payments on fifty percent of all mortgages purchased thereafter. The balance of this reserve account at June 30, 2016 and 2015 was $35,317 and $32,076, respectively. This amount is held in an interest-bearing account with Habitat's unrestricted cash.

NOTE 3 - RECEIVABLES

Receivables consist of the following:

	2016	2015
Insurance receivable	$ 19,129	$ 194,554
Pledges receivable	65,318	41,852
Miscellaneous receivables	9	-
Grants receivable	-	15,000
	84,456	251,406
Less current portion	(49,088)	(237,621)
	$ 35,368	$ 13,785

During fiscal year 2015, Habitat's Restore experienced significant fire damage. The corresponding insurance receivables as of June 30, 2016 and 2015 are a result of insurance proceeds received subsequent to the fiscal year-ends.

Pledges receivable consist of unconditional promises to give and are expected to be realized as follows:

	2016	2015
In less than one year	$ 29,950	$ 28,067
In one to five years	40,288	17,425
Total pledges receivable	70,238	45,492
Less uncollectible allowance	(1,500)	(1,500)
Less unamortized discount	(3,420)	(2,140)
	$ 65,318	$ 41,852

Pledges receivable are reflected at the present value of estimated future cash flows using an estimated 5% flat rate.

NOTE 4 - MORTGAGES AND TRANSFERRED MORTGAGES RECEIVABLE

Habitat intends to sell substantially all the mortgages it holds to the WCDA at 85% of face value after one year of client payments. However, there is no guarantee that the WCDA will buy the mortgages. During the years ended June 30, 2016 and 2015, the WCDA purchased mortgages in the amount of $640,511 and $416,240, respectively.

Mortgages Receivable:

For the years ended June 30, 2016 and 2015, mortgages receivable are calculated as follows:

	2016	2015
Face value of mortgages receivable	$ 617,898	$ 966,652
Present value discount	(371,441)	(576,537)
	246,457	390,115
Less current portion	(7,700)	(32,000)
	$ 238,757	$ 358,115

Transferred Mortgages Receivable:

For the years ended June 30, 2016 and 2015, transferred mortgages receivable are calculated as follows:

	2016	2015
Face value of mortgages receivable	$ 2,801,272	$ 2,172,449
Present value discount	(1,697,591)	(1,318,184)
	1,103,681	854,265
Less current portion	(40,200)	(40,900)
	$ 1,063,481	$ 813,365

For the years ended June 30, 2016 and 2015, the loss on transferred mortgages receivable that will be amortized over the life of the corresponding mortgages was $383,191 and $302,834, respectively.

NOTE 5 - CONSTRUCTION IN PROCESS

Home construction costs are funded by contributions. The development of the land which includes architectural, engineering, and infrastructure costs, are also being paid for by Habitat on behalf of the homeowners. As of June 30, 2016, construction in process of $3,869 consists of preliminary work associated with the Alpine Meadows and The Grove Phase 3 projects.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2016	2015
Land held for lease	$ 1,026,759	$ 1,026,759
Land held for development	64,519	-
Equipment	98,942	91,102
Leasehold improvements	61,976	-
	1,252,196	1,117,861
Less accumulated depreciation	(52,373)	(43,453)
	$ 1,199,823	$ 1,074,408

NOTE 7 - FAIR VALUE MEASUREMENTS

Habitat follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Habitat uses the following valuation techniques to measure fair value for its assets and liabilities:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs);

Level 3 – Unobservable inputs for the asset or liability, which are valued based on management's estimates of assumptions that market participants would use in pricing the asset or liability.

The fair value of transferred mortgages receivable is based on the corresponding outstanding principal balances and is a level 3 measurement. Habitat has not experienced any credit losses associated with transferred mortgages receivable.

NOTE 8 - LAND LEASE

The land on which a home is constructed is retained by Habitat through a ground lease agreement whereby the land is leased to the homeowner for a term of 99 years for twelve dollars per year. In the event of a sale, Habitat has the first right to purchase the home. The sales price is subject to pricing guidelines outlined in the ground lease agreement that are intended to keep the home permanently affordable. The ground lease also requires that the homeowner occupy the home, comply with homeowner association regulations and maintain the salability of the home.

NOTE 9 - OPERATING LEASES

As of June 30, 2016, Habitat leases temporary office and retail space in Jackson, Wyoming, under non-cancelable operating leases. The lease for the temporary office space expired June 30, 2016, but was extended through September 15, 2016 at $2,250 per month. The lease for the temporary ReStore space expires July 15, 2016 at $4,000 per month. These future temporary lease payments are not included in the annual future totals below.

Effective April 1, 2016, Habitat leases combined office and retail space in Jackson, Wyoming, under a non-cancelable operating lease. Monthly lease payments are $6,100 through December 31, 2017, and increase $100 per month each year. The lease expires on December 31, 2021, and is renewable for two additional five-year periods.

Future lease commitments for the following five years are as follows:

Year ended June 30, 2017	$ 73,200
Year ended June 30, 2018	73,800
Year ended June 30, 2019	75,000
Year ended June 30, 2020	76,200
Year ended June 30, 2021	77,400
Five-year total	$ 375,600

Lease rental expense for the years ended June 30, 2016 and 2015, was $87,050 and $51,228 respectively.

NOTE 10 - DEFINED CONTRIBUTION PLAN

Habitat has a SIMPLE IRA plan (the Plan) as described in section 408(p) of the Internal Revenue Code. Habitat matches elective deferrals up to three percent after six months of employment. For the years ended June 30, 2016 and 2015, employer matching contributions to the Plan were $4,529 and $7,261, respectively.

NOTE 11 - DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS

The Board of Directors has designated $200,000 to fund future operations as of June 30, 2016 and 2015.

Temporarily restricted net assets are restricted as follows at June 30:

	2016	2015
Alpine Meadows construction	$ 100,000	$ -
Pledges receivable	70,238	45,542
Grants receivable	-	15,000
	$ 170,238	$ 60,542

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donor or by the lapse of time restrictions.

Total satisfaction of donor restrictions	$ -
Total satisfaction of time restrictions - receipt of pledges receivable	$ 48,254

NOTE 13 - SUBSEQUENT EVENTS

Habitat evaluated its June 30, 2016 financial statements for subsequent events through March 9, 2017, the date the financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.